

E-002/GR-91-1 ORDER ACCEPTING FILING AND SUSPENDING RATE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner
Patrice Vick	Commissioner

In the Matter of the  
Application of Northern States  
Power Company for Authority to  
Increase its Rates for  
Electric Service in the State  
of Minnesota

ISSUE DATE: March 11, 1991

DOCKET NO. E-002/GR-91-1

ORDER ACCEPTING FILING AND  
SUSPENDING RATES

PROCEDURAL HISTORY

On November 2, 1989, Northern States Power Company (NSP or the Company) filed a petition seeking a general rate increase in Docket No. E-002/GR-89-865. The Company's petition was denied in the Commission's FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER dated August 28, 1990. NSP's request for reconsideration was also denied in an Order dated November 26, 1990, entitled ORDER DENYING PETITIONS FOR RECONSIDERATION AND DENYING TRANSITIONAL RATE INCREASE. The Company appealed the Commission's denial of the proposed rate increase to the Minnesota Court of Appeals, then withdrew its appeal.

On January 28, 1991, NSP filed a second, separate petition for a rate increase in the present docket. In this petition, the Company sought a general rate increase of \$98,198,000, or approximately 8.1%, effective March 29, 1991. Knowing that the Commission may suspend the proposed rate schedules, the Company also proposed an interim rate schedule, to be effective March 29, 1991. The interim rate request would increase present revenues by \$71,904,000, or approximately 5.94%.

On February 22, 1991, the Department of Public Service (the Department) submitted comments. The Department noted that the Company's filing satisfied filing requirements set by statute and rule, with two possible exceptions, the proposed test year and the cash working capital calculation. Based upon an assumption that the Company would implement changes or clarifications in these two areas, the Department recommended that the Commission accept the Company's rate case filing.

On February 27, 1991, NSP responded to the Department comments.

The matter came before the Commission on March 5, 1991.

## FINDINGS AND CONCLUSIONS

### General Finding

The Commission finds that, with the exception of certain issues discussed more fully below, NSP's filing is sufficient for the purposes of filing a general rate case under Minn. Stat. § 216B.16 (1988) and Minn. Rules, parts 7825.3100 to 7825.4600 (1988). Supplementary filings submitted by the Company on February 12, 1991 will be considered part of the record. These supplemental filings include summary schedules showing the rate base, income statement, and revenue summary for the first year budget, and bridge schedules summarizing the many regulatory adjustments made to the budget in arriving at the test year rate base and income statement.

The filed information will be subject to additional examination and scrutiny during the contested case hearing process which will follow. Acceptance of the filed information does not imply a guarantee of acceptance of the requested rates.

### Requirements from the Previous Order

The Order arising from the Company's general rate case in Docket No. E-002/GR-87-670 imposed the following additional filing requirements:

1. NSP must include a quantitative statement of the reduction in electric consumption NSP intends to achieve during the time period covered by its conservation plan.
2. NSP must include detail of rate case and general regulatory expenses identifying legal, consulting, administrative, and federal and state agency billings.
3. NSP must consider availability factors and demand-metered secondary-voltage customers in calculating the standby power rate, if proposing a change in the standby power rate.

The Commission finds that NSP has reasonably satisfied these requirements in this filing.

### Test Year

NSP's petition for a rate increase was premised upon a forecasted test year ending on December 31, 1991. In filings supporting the petition, the Company also presented an analysis of a 1989 historic test year adjusted for known and measurable changes. A representative of the Company stated in the filing that "[s]hould

the 1991 test year not be accepted, for any reason, then NSP would obviously rely on this historic data to support its request."

In comments dated February 22, 1991, the Department of Public Service (the Department) stated its concern that the Company was actually filing two, alternative test years. The Commission agrees with the Department that a filing which was premised upon two different test years would not be acceptable. Minn. Stat. § 216B.16, subd. 3 and Minn. Rules, Parts 7825.3100 and 7825.3900 require a filing utility to select a single proposed test year upon which its rate case will be built. The Company has stated, however, that it meant the historic test year data to corroborate the forecasted test year it had selected, not to replace it. The Commission will accept the Company's 1989 historic data in this filing only to corroborate the 1991 projected test year data, and not to support a historic test year result.

#### Demand-Side Management Incentives

On February 21, 1991, the Commission considered the Company's demand-side management (DSM) financial incentive proposal. In the Matter of the Proposal of Northern States Power Company's Electric Utility for a Demand-Side Management Incentive Mechanism, Docket No. E-002/M-90-1159. The Order in that matter is still pending. During its consideration of the DSM proposal, the Commission indicated that it would require cost-recovery issues stemming from the Company's demand-side management incentive mechanism to be addressed in the Company's current rate filing, Docket No. E-002/GR-91-001. The Commission will therefore require the company to file testimony as part of this docket, detailing its cost recovery proposal and the ratemaking consequences of its demand-side management financial incentive plan.

#### Adjustment of Filed Revenue Requirement

In its written comments, the Department recommended that the Commission require the Company to recalculate its cash working capital requirement to reflect payment of income taxes on the proposed rate increase. This would result in a revenue deficiency cap of \$98,062,000 as calculated by the Department instead of the \$98,198,000 cap proposed by the Company.

The Commission finds that a recalculation of the Company's proposed cash working capital requirement is premature at this time. The final calculation should take place at the time of the Commission final Order. At that time the parties and the Commission can be assured that all parties have had the chance to view complete, final information and be heard on the matter. The Commission will not require a recalculation of the proposed cash working capital requirement at this time.

## Contested Case Proceeding and Interim Rates

By separate Order the Commission has found that contested case proceedings are necessary for adequate examination of the Company's rate increase proposal. See NOTICE AND ORDER FOR HEARING entered in this docket on this date. During the contested case proceeding the Commission may require NSP to produce additional information within ten days of service of any information request by the Department or any other party.

Under Minn. Stat. § 216B.16, subds. 1 and 2 (1988), the rates proposed by the Company become effective 60 days from filing, unless they are suspended by the Commission. The Commission finds that it cannot resolve all issues regarding the reasonableness of the proposed rates within this 60 day period and that the public interest requires suspension. The Commission will establish interim rates for the suspension period, under Minn. Stat. § 216B.16, subd. 3 (1988), by separate Order.

### ORDER

1. The January 28, 1991 rate increase petition of Northern States Power Company is accepted as sufficient for the purposes of filing a general rate case under Minn. Stat. § 216B.16 (1988) and Minn. Rules, parts 7825.3100 to 7825.4600 (1988).
2. The Department of Public Service shall conduct an investigation into the reasonableness of the rate changes proposed by the Company.
3. All parties to this proceeding may serve information requests on any other party. Information requests shall be answered within ten days of receipt.
4. The operation of the proposed rate schedule is suspended under Minn. Stat. § 216B.16, subd. 2 (1988), until the Commission has issued a final determination in the matter.
5. The Company shall give written notice, as approved by the Commission, of the proposed change in rates to the governing body of each municipality and county in the area affected and shall submit an affidavit of such service to the Commission within 45 days of the service date of this Order.
6. The Company shall give individual written notice to all customers (including contract customers) of the proposed increase. This customer notice shall be included as an insert in the first bill rendered after the effective date of the interim rates as set by future Commission Order. The

Company shall submit the proposed notice, and any other billing inserts proposed for the billing cycle, for prior Commission approval.

7. The Company's 1989 historic data adjusted for known and measurable changes is accepted in this filing only to corroborate the 1991 projected test year data. It will be used to support the fully forecasted data of the 1991 test year result and will not be used to support a historic test year result.
8. Within 15 days of the date of this Order, the Company shall file testimony detailing its cost recovery plan and the ratemaking consequences of the Company's demand-side management financial incentive plan.
9. The Commission authorizes the Executive Secretary to enter Orders on behalf of the Commission varying time requirements for the filing of pleadings and other documents and determining the conduct of this proceeding, according to the standards set forth in Minn. Rules, part 7830.4400 (1988). Any party adversely affected by such an Order shall file a motion for reconsideration, vacation, or modification, no later than ten days from the date of its entry or one day before any filing deadline or occurrence of an act directed in such Order. Such motions will be heard by the Commission.
10. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)