

G-012/CI-89-904 ORDER APPROVING COMPLIANCE FILINGS AND REQUIRING
FURTHER FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

In the Matter of the Petition of the Department of Public Service for an Investigation of Western Gas Utilities, Inc.

ISSUE DATE: August 2, 1991

DOCKET NO. G-012/CI-89-904

ORDER APPROVING COMPLIANCE FILINGS AND REQUIRING FURTHER FILINGS

PROCEDURAL HISTORY

On November 29, 1989, the Commission issued its ORDER INITIATING AN INFORMAL INVESTIGATION OF WESTERN GAS in the above-captioned matter. In that Order the Commission initiated an informal investigation to address concerns regarding gas demand volumes and supply raised by the Department of Public Service (the Department). The concerns had arisen during the Department's work with Western Gas Utilities, Inc. (Western or the Company) during three previous Commission proceedings.

On January 31, 1991, the Commission issued its ORDER REQUIRING FURTHER FILINGS AND REQUIRING REFUND. In that Order the Commission required the Company to work with the Department to determine appropriate demand levels and to submit eight specific compliance filings regarding supply, affiliated interests, demand projections, and operating policies and procedures.

From March 5, 1991 through April 25, 1991, the Company submitted various compliance filings addressing the Commission's January 31 requirements.

On June 3, 1991, the Department filed its comments regarding Western's compliance filings.

On June 19, 1991, the Commission issued its Notice of Meeting and Request for Comments. On July 2, 1991, the Company submitted written responsive comments.

The matter came before the Commission on July 16, 1991.

FINDINGS AND CONCLUSIONS

The requirements raised by the Commission in its January 31 Order were found at ordering paragraphs No. 1-10.

Ordering Paragraphs No. 1,2, and 9

These paragraphs required the Company to work with the Department in determining appropriate demand levels and to report to the Department any significant changes in Western's supply portfolio. The Company was further ordered to file a report stating a projection of its demand levels and supply and transportation contracts for 1991 off-peak usage and the 1991-92 heating season.

Following the January 31 Order, Western worked closely with the Department in determining appropriate demand levels, both for 1990-91 and 1991-92. The Company duly filed its proposed changes in demand levels for the 1990-91 heating season in Docket No. G-012/M-91-4. The proposed demand levels are currently under consideration in that docket. On April 25, 1991, Western filed a projection of its demand levels for 1991-92 in the docket herein.

During the 1991 non-heating season the Company estimates it will need a peak-day firm requirement of 2,353 Mcf per day; Western can supply up to 2,833 Mcf per day during that period. During the 1991-92 heating season, the Company estimates it must meet a 4,557 Mcf peak-day requirement; Western has available demand volumes of 4419 Mcf plus peak-shaving facilities that can deliver an additional 960 Mcf per day. The Commission agrees with the Department that the Company's filings demonstrate a sufficient supply to meet 1991-92 requirements. The Commission finds that Western has fulfilled the requirements of paragraphs 1, 2 and 9 of the Commission's January 31, 1991 Order.

Ordering Paragraph No. 3

This paragraph required Western to file an additional explanation of its use of Firm Transportation (FT) gas supplies from the Northern Natural Gas (Northern) system. The Commission was concerned that the Company's requested FT volume would exceed need by 375 Mcf per day and thus be an unnecessary expense for ratepayers.

In its March 5, 1991 compliance filing, Western explained that it needed extra FT supplies to meet increased demands from new customers and to meet future expansion needs. Western had, however, reduced its FT request by 75 Mcf.

The Commission recognizes that no gas utility will be able to achieve a perfect matchup of FT demand and supply. The Company's partial reduction of demand and its explanation of future needs, as indicated in its March 5, 1991 filing, demonstrate an adequate answer to the Commission's concerns. The Commission finds that the Company has fulfilled the requirements of paragraph 3 of the January 31, 1991 Order.

Ordering Paragraph No. 4

This paragraph required Western to refund the money which it had overcollected through the Purchased Gas Adjustment (PGA) from January to September 1989, and to file a refund report.

Western filed its refund report on April 2, 1991. In the report, Western stated that it had completed a full refund of principal and interest totaling \$39,788.45 in February and March, 1991.

The Commission finds that the Company's refund and refund report fulfil the requirement of paragraph 4 of the Commission's January 31, 1991 Order.

Ordering Paragraphs No. 5, 6 and 7

Because Western is a wholly-owned subsidiary of NatroGas, Inc. (NatroGas), the two companies are governed by the affiliated interest statute and rules. Ordering paragraphs No. 5, 6 and 7 required Western to file detailed information regarding its relationship with NatroGas within six months of the date of the Order.

To date, Western has not made any filings in answer to these ordering paragraphs. Although the filings are not yet due, the Commission will address the necessity of receiving the information sought.

The Department noted in its June 3, 1991 comments that it expects to address affiliated interest issues in Western's next general rate case. All parties expect that rate case proceeding to commence in the foreseeable future. The Department therefore recommended that the requirements of ordering paragraphs No. 5, 6 and 7 be deferred until Western's next general rate case. The Commission agrees with the Department and will allow Western to file its affiliated interest information as part of its rate case filing.

Ordering Paragraph No. 8

This paragraph required the Company to file a proposed method for investigating and monitoring meters and other possible causes of the past discrepancies between gas volume purchases and sales. The Company was further required to file a final report showing the cause of the discrepancies.

On March 5, 1991, the Company filed its plan for investigating the difference between the gas volumes it purchased and the volumes it sold. The final report is not due until July 31, 1991.

The Commission finds that the Company's filed plan provides an explanation of how past gas volume discrepancies may have occurred. The Commission will await the Company's final report.

Ordering Paragraph No. 10

This paragraph required the Company to file a report with the Commission stating a plan to incorporate compliance with Commission rules in its operating policies and procedures. In particular, the report was to demonstrate that the PGA will reflect the Company's current cost of gas and that the Company will seek Commission approval prior to implementing changes in demand level.

On April 25 and July 2, 1991, the Company filed responses to this paragraph. The Company's filing explained its monthly PGA calculation and provided a corporate regulatory compliance plan stating the steps to be taken when the Company intends to change demand volumes or change suppliers.

The Commission finds that Western's filing is a good effort towards fulfilling the requirements of ordering paragraph No. 10. Western did not, however, submit its procedures for making its annual report and annual true-up filing. The Commission finds that the Company's response should be supplemented to include these procedures. The Company may include these items when it submits its annual report and true-up filing, both of which are due September 1, 1991. The report should include a list of relevant PGA rules and sample filings.

ORDER

1. Western's compliance filings addressing requirements raised in ordering paragraphs No. 1, 2, 3, 4, and 9 of the Commission's January 31, 1991 Order are approved.
2. Western's compliance filings addressing requirements raised in ordering paragraphs No. 5, 6 and 7 may be submitted as part of the Company's next general rate case.
3. Western's compliance filing partially answering paragraph No. 10 is approved as filed. Western's compliance filings regarding this paragraph which remain outstanding must be filed by September 1, 1991.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

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