

E-002/M-92-898 ORDER ELIMINATING RATE CASE FILING REQUIREMENT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
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Norma McKanna	Commissioner

In the Matter of Northern States Power Company's Petition for Variance of Commission Order

ISSUE DATE: September 28, 1992

DOCKET NO. E-002/M-92-898

ORDER ELIMINATING RATE CASE FILING REQUIREMENT

**PROCEDURAL HISTORY**

On November 27, 1991, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER in Docket No. E-002/GR-91-1. In that Order at Ordering Paragraph 6 (d), page 92, the Commission ordered:

[Northern States Power Company] shall provide summaries of all of its applicable budgets by FERC subaccounts. If the Company cannot comply with this requirement it shall show cause within 30 days of the date of this Order.

On December 17, 1991, the Northern States Power Company (NSP or the Company) filed a timely petition for reconsideration of the November 27 Order. Among other things, the Company expressed concern regarding the difficulty of presenting the capital budgets according to Federal Energy Regulatory Commission (FERC) subaccounts and requested clarification of the FERC subaccounts requirements.

On February 19, 1992, the Commission issued its ORDER AFTER RECONSIDERATION. The Commission stated at page 3:

Should the Company find that it is impossible to meet the present budget requirements in a rate case test year, the Company may, in a separate petition or in a rate case, seek a waiver of specific requirements. Any such request would be evaluated on the merits and would be subject to comment by interested parties.

On August 6, 1992, NSP filed its petition for Variance of Commission Order requesting to be relieved of the requirement to classify its capital budget according to detailed FERC Uniform System of Accounts (USOA).

On August 14, 1992, the Commission issued it a NOTICE OF FILING AND COMMENT PERIOD which allowed interested parties to file comments until September 3, 1992.

On August 19, 1992, the Minnesota Department of Public Service (the Department) filed its comments supporting NSP's request.

No other party submitted comments.

On September 17, 1992, the Commission met to consider this matter.

### FINDINGS AND CONCLUSIONS

In its November 27, 1991 and February 19, 1992 Orders in Northern States Power Company's (NSP's) recent rate case (Docket No. E-002/GR-91-1), the Commission required NSP to file its operating budgets and capital budgets summarized by FERC subaccounts in future rate cases.

In reviewing the rate case filing measures it requires of utilities, the Commission balances the benefit of the requirement against the burden to the company of compliance.

In this case, the Commission finds that in the normal course of its business NSP does not allocate its Construction Work in Progress (CWIP) expenses into FERC subaccounts until after the construction project has been completed and the item is placed into service. Such allocation is not required by the uniform system of accounts and the Company has no independent internal need to do so. The classification process (clearing costs from CWIP to "plant in service") requires a detailed review of the final total cost components by specially trained staff. Classifying these costs ahead of the normal timing solely for purposes of the rate case filing would require further training of department heads, changes to budget computer systems, and additional involvement of Capital Asset Accounting during the budget process. In addition, the classification would have to be redone or at least rechecked upon completion of the project. In short, compliance with the Commission's requirement, therefore, would be burdensome.

In evaluating the potential benefit of this requirement, the Commission notes that detailed FERC account information is particularly helpful in analyzing operating budgets. Those budgets are analyzed by making inflation-type comparisons based on standard economic indices (e.g. DRI and CPI). However, capital costs are driven more by operating characteristics such as system demand and customer growth than by inflation. The

inflation-type comparisons helpful to analyze operating budgets are less meaningful. Therefore, having the detailed FERC account information available would not significantly assist the Commission's review of the Company's capital budget in the next rate case.

The Minnesota Department of Public Service (the Department) stated that detailed FERC-basis reporting of its capital budget would actually hinder the Department's review of that budget. The Department favored retaining the FERC subaccount requirement for operating budgets but supported the Company's request that the Commission eliminate it as to the capital budget.

It also appears that the intervenor that had initially proposed the FERC subaccount information as an aid to intervenors to participate beneficially in rate cases was more interested in having that information for the operating budgets rather than for the capital budget. That intervenor had notice of the Company's proposal in this matter, was given an opportunity to comment, but did not indicate any concern over the proposal.

In these circumstances, the Commission will modify its rate case filing requirements with regard to FERC subaccount information by eliminating that requirement with respect to the capital budgets the Company files in its next rate case.

#### ORDER

1. The requirement established by the Commission in its Orders dated November 27, 1991 and February 13, 1992 in Docket No. E-002/GR-91-1 that in its next rate case filing Northern States Power Company (NSP) classify the capital budget according to FERC subaccounts is eliminated.
2. In all other respects, the requirements of those Orders remain in effect.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)