

G-007/M-92-212 ORDER ACCEPTING FILING, SETTING EXPIRATION DATE
AND REQUIRING REVISED TARIFF SHEETS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Thomas Burton
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner

In the Matter of a Request by
Northern Minnesota Utilities for
Approval of a New Town Rate

ISSUE DATE: August 3, 1993

DOCKET NO. G-007/M-92-212

ORDER ACCEPTING FILING, SETTING
EXPIRATION DATE AND REQUIRING
REVISED TARIFF SHEETS

PROCEDURAL HISTORY

Between April and June 1, 1991, three Minnesota natural gas utilities filed proposed tariffs to cover the costs of expanding service to communities not yet served with natural gas. The filings were submitted by Peoples Natural Gas Company (Peoples), Northern Minnesota Utilities (NMU) and Minnegasco. All three proposals were meant to balance the needs of communities who wish to obtain natural gas service with the financial needs of utilities who cannot cover the costs of extension under existing tariffs. The proposals were assigned to Docket Nos. G-011/M-91-296, G-007/M-91-460, and G-008/M-91-575 respectively.

On March 10, 1992, the Commission consolidated the three dockets (G-011/M-91-296, G-007/M-91-460, and G-008/M-91-575) for consideration and issued its ORDER REJECTING PROPOSED TARIFFS AND REQUIRING REPORT. The Commission stated that because significant policy questions regarding gas service expansion remained unresolved it would deny without prejudice the three petitions for service expansion tariffs. The Commission directed the Department of Public Service (Department) staff and Commission staff to examine the relevant policy issues and to issue a joint report on or before March 12, 1992. The report was duly filed on that date.

On March 18, 1992, NMU filed a new proposal for a service expansion tariff which it called a New Town Rate. The matter was assigned to the current docket, G-007/M-92-212. In the filing the Company also requested a variance from Minn. Rules, Part 7825.3200 to allow the proposed tariff to go into effect on less than 90 days notice.

On May 6, 1992, the Commission issued its ORDER APPROVING TARIFF WITH MODIFICATIONS AND REQUIRING FURTHER FILINGS. In that Order,

the Commission approved NMU's New Town tariff as modified and granted a variance to allow earlier implementation of the rate. In addition, the Commission directed NMU to file by March 1 of each year a report regarding activities of the New Town Rate projects for the previous year. The Order also required NMU to submit for Commission approval the proposed termination dates for New Town projects begun since the last annual report.

On April 28, 1993, NMU filed an annual report pursuant to the Commission's May 6, 1992 Order.

On May 10, 1993, the Department filed comments regarding NMU's annual report, stating that the Company had fully complied with the Commission's Order.

On July 29, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

The Company's Report

NMU's only New Town project is the expansion of the Lake View Mobile Home Park. Under its approved New Town rate, the Company applies a surcharge of \$6.00 per month to the general service bills of customers in this new service area to recover the excess extension costs not recovered under the Company's existing tariffed rates.

The Company stated that although costs in the first year (1992) were higher and gas sales were lower than originally estimated, more customers were added (many late in the year) than was originally estimated. The Company now predicts an overall increase in the number of customers to be served in the project area and slightly higher gas sales than were originally predicted for 1993. On the basis of these revised projections, NMU now calculates that the surcharge should expire on December 31, 1996 instead of in 1997 as originally predicted.

Commission Analysis

The Company's annual report is satisfactory and its calculations for the surcharge recovery are reasonable. Higher than expected costs in 1992 were due to the provision of more service lines than were originally expected. In the long run, however, larger than expected expansion will produce higher gas sales which will generate recovery of the extension costs more quickly than was originally projected. After analyzing these factors and the Company's numbers, the Commission concludes that the Company's revised termination date, December 31, 1996, is reasonable.

Accordingly, the Commission will accept the Company's annual report and recommended revised termination date. The Commission will require the Company to file revised tariff sheets within 15 days of this Order showing the revised termination date. In addition, the Company should inform the affected customers of the change by letter or bill insert at its earliest convenience.

ORDER

1. The annual report filed by Northern Minnesota Utilities (NMU or the Company) regarding activities of its New Town Rate project for the previous year is accepted.
2. The Company's proposed revised termination date for its New Town Rate, December 31, 1996, is approved.
3. Within 15 days of this Order, NMU shall file a revised New Town Rate reflecting the new revised termination date.
4. NMU shall inform affected ratepayers of the changed termination date by mail or by billing insert, at the Company's earliest convenience. The Company shall file a copy of the information with the Commission within 15 days of sending it to the affected ratepayers.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)