

G-010/M-92-785 ORDER ACCEPTING FILING, SETTING SURCHARGE
EXPIRATION DATE, DETERMINING PROPERTY VALUATION, AND REQUIRING
FURTHER FILING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner

In the Matter of a Request by
Midwest Gas Company for Approval
of a New Town Rate Surcharge and
a Request for Variance

ISSUE DATE: August 6, 1993

DOCKET NO. G-010/M-92-785

ORDER ACCEPTING FILING, SETTING
SURCHARGE EXPIRATION DATE,
DETERMINING PROPERTY VALUATION,
AND REQUIRING FURTHER FILING

PROCEDURAL HISTORY

On November 10, 1992, the Commission issued its ORDER APPROVING TARIFF WITH MODIFICATIONS AND REQUIRING FURTHER FILINGS in the above-captioned matter. Among other things, that Order contained the following Commission directive:

Require that Midwest file by March 1 of each year a report regarding activities of the New Town Rate projects for the previous year. This report would be used by the Commission to review progress on amortization of the deficiency for previously approved projects, and by the Company to submit for Commission approval the proposed termination dates for New Town projects begun since the last annual report.

On July 29, 1993, the Commission issued an Order approving the sale of Midwest's Minnesota properties to Minnegasco.¹ Under the terms of that Order, Minnegasco acquired Midwest's Eden Valley New Town project, and assumed the surcharge rate and reporting requirements. The parties' Exchange Agreement specified that any additions to plant made by Midwest in Eden Valley through December 31, 1992 would be valued in the Closing Date Net Plant at \$250,000. The actual costs for plant additions through December 31, 1992 were \$378,360.

¹ In the Matter of the Joint Petition of Minnegasco, a Division of Arkla, Inc., and Midwest Gas, a Division of Midwest Power Systems, Inc., for Authority to Exchange Assets, Utility Operations and Business, Docket No. G-008, 010/PA-93-92, ORDER APPROVING EXCHANGE AND REQUIRING FILING.

On March 4, 1993, Midwest filed its New Town report with the Commission. The filing was supplemented on June 7, 1993. The report included updated plant costs, customer levels, and collections of monthly surcharges. The Company stated that it would be premature to set the surcharge expiration date at this time, due to a lack of historical data.

On June 17, 1993, the Department of Public Service (the Department) filed a letter recommending approval of the Company's New Town report. The Department agreed with the Company that the Commission should defer the setting of a surcharge expiration date.

The matter came before the Commission for consideration on July 29, 1993.

FINDINGS AND CONCLUSIONS

The amount of Midwest's Eden Valley New Town surcharge will remain at the original level of \$8.00 per month per firm general service customer. The duration of the surcharge has not been set, however, since this is the Company's first filing of a New Town report.

Because the Eden Valley plant was valued at \$250,000 in the Midwest/Minnegasco property exchange agreement, the Commission finds that the property should be valued at \$250,000 for purposes of surcharge recovery calculation. This amount is a straight reflection of the parties' negotiations and is the amount they are booking as actual cost. It will also result in a shorter surcharge period for customers than would the historical cost figure.

The Commission does not agree with the Department's and the Company's position that the Commission should defer its determination of the surcharge period. Since the valuation of plant has been set at \$250,000, it is possible to calculate the investment recovery period at this time. Having a set limit for the surcharge termination period will be helpful for customers who are attempting to budget this added expense. This in turn should benefit Minnegasco, who will be able to provide its new customers with a definite surcharge expiration date rather than a vague estimate.

The Commission will accept Midwest's March 4, 1993 New Town filing, as supplemented on June 7, 1993. The Commission will direct Minnegasco to value the plant constructed at Eden Valley through December 31, 1992 at \$250,000 for purposes of surcharge recovery calculation. With the New Town plant valued at

\$250,000, the investment should be fully recovered by December 31, 1999. The Commission will therefore set December 31, 1999 as the surcharge termination date. The Commission will also direct Midwest to file revised tariff sheets within 15 days of this Order showing the approved termination date.

ORDER

1. Midwest's March 4, 1993 report, as supplemented on June 7, 1993, is accepted.
2. Minnegasco shall set the value of plant constructed at Eden Valley through December 31, 1992 at \$250,000 for purposes of surcharge recovery calculation.
3. New Town rate surcharges shall terminate by December 31, 1999. Within 15 days of the date of this Order, Midwest shall file revised tariff sheets showing the 1999 surcharge termination date.
4. Within 60 days of the date of this Order, Midwest shall notify its Eden Valley customers of the surcharge termination date by letter or bill stuffer. The Company shall file a copy of the notice within 15 days of service on the customers.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)