G-004/AA-92-1386 ORDER APPROVING PROPOSAL TO CHANGE DEMAND ENTITLEMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of a Request by Great Plains Natural Gas Company for Approval by the Minnesota Public Utilities Commission of a Change in Pipeline Demand Entitlements Due to Northern Natural Gas Company's New Services, Effective November 1, 1992

ISSUE DATE: September 14, 1993

DOCKET NO. G-004/AA-92-1386

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PROCEDURAL HISTORY

On December 7, 1992, Great Plains Natural Gas Company (Great Plains or the Company) submitted its November 1992 Monthly Purchased Gas Adjustment (PGA) Report for its "Southern" system. Great Plains' November PGA Report incorporated pipeline demand costs from Northern Natural Gas Company (Northern) based on Northern's New Services and included an additional 250 Mcf of TFX for which it had not yet received permission from the Commission to use.[1]

On May 17, 1993, the Minnesota Department of Public Service (the Department) recommended approving Great Plains' proposal for converting its contracts to New Services contingent upon the Company receiving permission to use the additional 250 Mcf of TFX entitlements that were requested in Docket No. G-004/MR-93-75. The Department also recommended allowing Great Plains to recover a billing undercharge in its annual true-up and requiring Great Plains to submit separate change in demand entitlement filings in the future according to Minn. Rule 7825.2910, subpart 2.

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[1] Great Plains has submitted two other filings in which it requests higher demand entitlement levels. One of the filings, Docket No. G-004/MR-93-75, was for its "Southern" system which is served by Northern and included a request for the 250 Mcf of TFX contracts. The other filing, Docket No. G-004/MR-93-22, was for its "Northern" system served by Viking and included a proposal for a backhaul arrangement.

On August 19, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission finds that Great Plains has acted to minimize the impact of New Services on demand costs while maintaining reliability. Under Great Plains proposal demand costs would increase by 3.4 percent or approximately $55 thousand.

In the change to New Services, Great Plains New Service's conversion maximizes its use of available seasonal (TF-5) contracts. Great Plains also obtained a relatively high proportion of lower cost year-round (TF-12 Base) entitlements because of its off-peak load factor instead of the more expensive supplemental (TF-12 Variable) entitlements. Great Plains was also able to obtain a 5-year flexible/seasonal (TFX-5) contract which will be less expensive than using year-round entitlements.

Great Plains reduced its entitlement for pipeline gas supply by approximately 50 percent. This places Great Plains at the low end of the range for Minnesota local distribution companies (LDCs). This should help Great Plains achieve some gas cost savings for its customers but the Company will have to carefully manage its gas supply to maintain reliability.

Great Plains made several billing errors over a period of several months during the 1992-93 heating season related to the implementation of rates under New Services. Since these errors amount to less than 5 percent ($4.05 per firm customer) of the correct billing amounts and they are a one time only occurrence it is appropriate to allow Great Plains to recover these errors in its annual true-up.

Great Plains did not make a separate filing requesting permission to convert its entitlements to New Services pursuant to Minn. Rule 7825.2910, subpart 2. The Company will be required to request approval from the Commission whenever it changes its pipeline contracts in the future.

Commission Action

The Commission will approve Great Plains' conversion of its entitlements to New Services as recalculated and modified by the Department and allow the Company to recover the undercharge amounts ($4.05 per average firm customer) in the annual true-up, contingent upon the Commission's approval of the Company's proposed 250 Mcf increase in demand entitlements (Docket No. G-004/MR-93-75). Finally, the Company will be reminded to make change in demand entitlement filings whenever it changes or modifies its contracts.

ORDER

1. Great Plains' proposal is approved and the Company is authorized to recover the undercharge in the annual true-up, contingent upon the Commission's approval of the TFX entitlement increase under consideration in Docket No. G-004/MR-93-75.

2. The Company shall make a change in demand entitlement filing whenever it changes or modifies its contracts, as required by Minn. Rules, Part 7825.2910, Subp. 2.

3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie
Acting Executive Secretary

(S E A L)