

G-001/M-92-1189 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
Interstate Power 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-001/M-92-1189

ORDER APPROVING PROPOSAL TO
CHANGE DEMAND ENTITLEMENTS

PROCEDURAL HISTORY

On October 5, 1992, Interstate Power Company (Interstate or the Company) requested approval for its entitlement levels under New Services. Interstate did not request an increase in the overall level of its demand entitlements or the level of its entitlements for pipeline sales gas.

On June, 21, 1993, the Minnesota Department of Public Service (the Department) recommended approving Interstate's proposal for the 1992-93 contract year. However, for the 1993-94 contract year, the Department recommended that Interstate lower the level of its firm (SF) gas supply contracts with Northern by 50 percent unless it could show cause that it would be appropriate to do otherwise.

In addition, the Department recommended that Interstate pursue seasonal TFX transportation contracts on Northern and recommended allowing Interstate to recover its billing errors associated with the conversion to New Services through its next annual PGA true-up.

On August 6, 1993, Interstate responded to the Department's Report. Interstate argued that it had no alternative to Northern for its peak-season swing service supply requirements because it could not guarantee potential third-party suppliers that it would take their gas 100 percent of the time. Interstate argued that it could not rely on interruptible supplies to serve its firm customers without having telemetering equipment in place and without Northern having a tariffed service that would allow Interstate to make its gas nominations on a real time basis.

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

FINDINGS AND CONCLUSIONS

Interstate's proposed conversion to New Services appears to be reasonable. However, the Company made a number of errors in calculating bills issued to its customers in connection with the conversion to New Services. The Company's proposal, therefore, will be approved, as modified and revised by the Department in its report. Because those errors are relatively minor, the Company will be allowed to recover the undercharge (\$4.48 per average firm customer) in the annual purchased gas adjustment (PGA) true-up.

Despite its approval of the Company's conversion proposal, the Commission has two concerns:

1. Demand Costs

It appears that the conversion to New Services will increase the level of Interstate's demand costs by 15.9 percent from pre-New Services levels. To underline its concern on this subject, the Commission will direct Interstate to explore 1) using something besides Northern's higher-cost year-round supplemental (TF-12 Variable) contracts to meet its off-peak design-day requirements as well as its base load during the heating season and 2) using seasonal, lower cost TFX contracts with Northern.

2. Gas Supply Arrangements

As part of the conversion process, SF service will be unavailable from Northern next year. As a consequence, Interstate should begin at once to seek an alternative to its current gas supply arrangements. The Commission will require the Department to monitor Interstate's use of pipeline and third-party gas supplies to ensure that the appropriate decisions are made concerning the provision of swing service based on price and reliability.

ORDER

1. Interstate's petition, as revised and modified in this Order, is approved.
2. The Company is authorized to recover in the annual true-up the undercharge resulting from the billing errors noted by the Department.

3. The Company shall explore using something besides Northern's higher-cost year-round supplemental (TF-12 Variable) contracts to meet a) its off-peak design-day requirements and b) its base load during the heating season.
4. The Minnesota Department of Public Service (the Department) shall monitor Interstate's use of pipeline and third-party gas supplies to ensure appropriate decisions are made concerning the provision of swing service based on price and reliability.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie
Acting Executive Secretary

(S E A L)