

G-010/M-92-785 ORDER ACCEPTING REPORT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

Chair
Commissioner
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: September 13, 1994

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

ORDER ACCEPTING REPORT

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 March 4, 1993, Midwest filed its New Town report regarding activities of the New Town Rate projects for the previous year. Midwest supplemented its filing on June 7, 1993. The report included updated plant costs, customer levels, and collections of monthly surcharges for its only New Town project to date, its expansion to Eden Valley. 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.

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 for future years.

On August 6, 1993, the Commission issued an Order accepting Midwest's annual report. The Order also set the surcharge expiration date as December 31, 1999, determined property valuation for purposes of surcharge recovery calculation, and required the Company to notify its Eden Valley customers of the surcharge termination date by letter or bill stuffer.

On April 15, 1994, Minnegasco filed its annual report regarding the Eden Valley New Town surcharge.

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 September 1, 1994, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Upon review, the Commission finds that Minnegasco's report provides most of the required information. The Commission further finds that as augmented by information supplied in response to Commission Staff inquiries, the filing is complete. Accordingly, the Commission will accept the report.

Midwest (hence its successor Minnegasco) was authorized to collect as surcharge from its Eden Valley customers an amount up to 1) the project revenue deficiency *plus* 2) a financing charge on the uncollected balance at the end of each year. However, it must do so before the termination of the surcharge, December 31, 1999.² As with any New Town Project, the Company and not its ratepayers is at risk for any shortfall.

In light of actual project costs and surcharge revenue reported to date³, it is unclear whether the Company will actually collect this full amount by the end of the surcharge period. Minnegasco's report indicated that based on its revised estimated number of customers and the actual revenues collected through December 31, 1993, it will collect the revenue deficiency but not all the finance charge.

However, despite the slower than projected start and higher costs, the recent and perhaps on-going addition of small volume interruptible customers not included in the original forecast model means that it is still possible that the Company will recover the amount originally estimated and authorized.

ORDER

1. Minnegasco's annual report regarding the Eden Valley New Town surcharge is accepted.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

² In its August 6, 1993 Order in this matter, the Commission determined that the appropriate value of plant constructed at Eden Valley through December 31, 1992 for purposes of surcharge recovery calculation was \$250,000. Based on that figure and a monthly surcharge of \$8.00 per month for firm general service customers in Eden Valley, the Commission set the expiration date for this project as December 31, 1999. Those findings are not subject to review or change in this Order.

³ Minnegasco reported a lower number of customers and higher costs than were originally estimated.