

March 7, 1995

DOCKET NO. G,E-999/CI-90-1008

ORDER CLARIFYING COMMISSION ORDER DATED SEPTEMBER 28, 1994

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Joel Jacobs
Marshall Johnson
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of an Investigation into the
Competitive Impact of Appliance Sales and
Service Practices of Minnesota Gas and
Electric Utilities

ISSUE DATE: March 7, 1995

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PROCEDURAL HISTORY

On January 4, 1991, the Commission initiated an investigation of nonregulated activities of regulated gas and electric utilities in response to concerns raised by the Minnesota Alliance for Competition (MAC) about cost separation and discriminatory treatment by Minnegasco's appliance sales and service operation.

On November 10, 1992, the Commission issued an Order in the MAC Complaint Docket (G-008/C-91-942) directing Minnegasco to adopt Federal Communications Commission (FCC) principles to apportion costs between regulated and nonregulated operations.

On March 24, 1994 in the MAC Complaint Docket No. G-008/C-91-942, the Commission adopted the Administrative Law Judge's (ALJ's) determination that the general allocator excludes cost of gas and cost of goods sold that are "passed through" to customers.

On September 28, 1994, the Commission issued an Order in the Generic Docket No. G,E-999/CI-90-1008. In this Order the Commission encouraged but did not require other utilities to follow the same cost allocation principles as Minnegasco adopted. The Commission adopted MAC's recommendation to exclude from the general allocator the cost of fuel, gas, purchased power, and the cost of goods sold.

On October 18, 1994, Minnegasco filed a petition to clarify the calculation of the general allocator for Minnegasco and other utilities.

On February 23, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

In its September 28, 1994 ORDER SETTING FILING REQUIREMENTS in this matter, the Commission (among other things) added the category "costs of goods sold" to the costs excluded from the calculation of the general allocator.¹ The Commission stated that its purpose in so doing was to avoid possible cross-subsidization. Order at page 8.

¹ Other costs excluded from the calculation of the general allocator were costs of fuel, gas, and purchased power.

In its petition for clarification, Minnegasco requested the Commission to clarify that it was the cost of *purchased* goods that the Commission intended to exclude from the general allocator. The Company stated that exclusion of the cost of *purchased* goods sold would be consistent with the way it (Minnegasco) is required to calculate its general allocator implementing the Commission's cost allocation principles.

The Commission will clarify the Order as requested by Minnegasco. The clarification does not alter the Commission's basic intent, which is to exclude from the general allocator costs which are passed through to customers. Such costs include the cost of purchased goods sold.² The benefit of the clarification is that it promotes uniform application of the exclusion of cost of goods sold among all utilities.

ORDER

1. The Commission's September 28, 1994 Order in this matter is clarified at page 8. The category "cost of goods sold" is clarified to refer to the cost of *purchased* goods sold.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

² The cost of *purchased* goods, as contrasted with the cost of *manufactured* goods, are passed through to customers and, hence, should be excluded from the general allocator.