

May 30, 1995

DOCKET NO. G-008/GR-93-1090

ORDER ACCEPTING RATE CASE COMPLIANCE FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Joel Jacobs	Commissioner
Marshall Johnson	Commissioner
Dee Knaak	Commissioner

In the Matter of the Application of
Minnegasco, a Division of Arkla, Inc., for
Authority to Increase Its Rates for Natural Gas
Service in the State of Minnesota

ISSUE DATE: May 30, 1995

DOCKET NO. G-008/GR-93-1090

ORDER ACCEPTING RATE CASE
COMPLIANCE FILINGS

PROCEDURAL HISTORY

On October 24, 1994, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-captioned rate case. In that Order, the Commission authorized approximately \$8 million of additional revenue for Minnegasco. The Commission ordered Minnegasco to file revised schedules of rates and charges to reflect the authorized revenue requirement and rate design. The Order also required Minnegasco to file revised tariff sheets, proposed customer notices, a revised base cost of gas¹, and automatic adjustments for gas costs. In addition, the Commission ordered Minnegasco to file a proposed mechanism to refund any interim revenues in excess of its authorized level of revenues.

On April 4, 1995, the Commission issued its ORDER AFTER RECONSIDERATION. In that Order the Commission adopted certain changes to Minnegasco's revenue requirement. The Commission also ordered Minnegasco to submit revised income statements and rate base schedules reflecting the revenue requirement changes.

¹ The Company's new base cost of gas has been taken up in a separate docket, No. G-008/M-95-358.

On April 14, 24, 26, and 28, 1995, Minnegasco filed tariff sheets and workpapers in response to the Commission's requirements. On May 1, 1995, the Department of Public Service (the Department) filed comments on the compliance filings. The Department recommended that the Commission accept the filings with certain modifications.

On May 18, 1995, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

The Commission finds that Minnegasco's compliance filings, including its revised schedules of rates and charges, revised tariff sheets, proposed customer notices, automatic adjustment, and refund proposal, conform to the requirements established in the Commission's October 24, 1994, and April 4, 1995, Orders. The Commission agrees with the Department's suggested minor modifications and will require that the Company implement them.

The Commission will discuss the major elements of the Company's compliance filings.

I. RATES AND REVENUES

The Department recommended that the Company revise its proposed rates and tariffs by adding the following:

- 1) a non-gas demand charge for Large General Firm Sales Service and Large Volume Firm Transportation Service in the Viking rate area
- 2) a monthly basic charge for Small Volume Firm Transportation Service customers who use at least 5,000 therms of gas per year in the Viking rate area

The Company agreed with the Department's suggestions and incorporated these additions into its April 28, 1995, revised tariffs.

The Commission agrees that the Company's proposed rates and tariffs, with the above revisions, reflect the rates and charges approved by the Commission and will result in the collection of the Company's authorized revenue requirement.

II. FINAL REVENUE REQUIREMENT

Minnegasco filed revised income statements and rate base schedules as required by the Commission. The Company's revised revenue requirement calculation shows a revenue

deficiency of \$7,134,000, resulting in total authorized revenues of \$638,418,000. The revenue requirement reflects a revised amount for allocating emergency leak checks and recovery of the Conservation Improvement Program tracker balance. These adjustments result in a reduction of \$952,000 to the original revenue requirement.

The following calculation shows Minnegasco's revised revenue deficiency (or authorized revenue increase):

REVENUE DEFICIENCY	
	<u>000s</u>
Rate Base	\$332,308
Rate of Return	<u>9.67%</u>
Required Income	32,134
Operating Income	<u>27,951</u>
Income Deficiency	4,183
Revenue Conversion	<u>1.7056</u>
Revenue Deficiency	<u>\$7,134</u> =====

The revenue deficiency reflects the following revised rate base summary and operating income statement summary:

RATE BASE SUMMARY

	<u>(000s)</u>
Utility Plant in Service	\$ 634,909
Accumulated Depreciation and Amortization	<u>(289,069)</u>
	345,840
Gas stored Underground:	
Current	22,503
Non-current	997
Accumulated Deferred Income Taxes	(30,135)
Materials and Supplies	3,404
Cash Working Capital	(9,422)
Deferred Debits and Credits	(3,994)
Other Working Capital	<u>3,115</u>
 TOTAL RATE BASE	 \$ 332,308 <u>=====</u>

OPERATING INCOME STATEMENT SUMMARY

	<u>(000s)</u>
Operating Revenues:	
Gas Sales	\$625,644
Other Revenues	<u>5,640</u>
Total Operating Revenues	631,284
Operating Expenses:	
Cost of Gas	455,279
Production and Maintenance	12,437
Distribution and Utilization	18,705
Depreciation and Amortization	27,936
Sales and Customer Accounts	19,333
Administrative and General	31,402
Conservation Improvement	6,112
Taxes Other than Income	22,486
Federal and State Income Taxes	<u>9,643</u>
Total Operating Expenses	603,333
 TOTAL OPERATING INCOME	 \$ 27,951 <u>=====</u>

III. INTERIM RATE REFUND

Minnegasco collected approximately \$18.7 million in interim revenues during the 15 month period from February, 1994, when interim rates went into effect, to May, 1995. Minnegasco proposed implementing final rates on June 1, 1995. After adding interest and deducting the CIP tracker balance and \$325,000 in rate case expenses, according to the parties' stipulated agreement, the amount subject to refund would be approximately \$7.8 million.

The Commission agrees with the Department that the Company's refund plan is in compliance with the Commission's requirements and should be accepted. In order to facilitate final monitoring of the refund process, the Commission will require Minnegasco to file a refund summary report within 30 days after all billing credits have been issued or by September 1, 1995, whichever comes first.

IV. CUSTOMER NOTICES

Minnegasco submitted proposals for three separate customer notices, to customers in its three rate areas.

The Department recommended four changes to the Company's proposed notices:

1. For all notices, the word "new" should be added to the tables that compare the Company's current customer charge with the basic charge.
2. The basic charges for Small Volume Dual Fuel Transportation customers should be included in the notices going to the former Midwest Gas-Northern Natural and former Midwest Gas-Viking customers.
3. A sentence should be added to the description of the delivery charge in the notice going to former Midwest Gas-Northern Natural customers: "It varies each month, depending on how much natural gas you use."
4. An explanation of the reason for the different rates for the Viking customers should be added to the notices going out to former Midwest Gas customers.

Minnegasco agreed to all the suggested changes. The Commission finds that the proposed notices, with the suggested changes, are clear, informative, and acceptable.

V. IMPLEMENTATION OF NEW RATES ON A "DROPPED IN" BASIS

Minnegasco proposed implementing final rates as of June 1, 1995, on a "dropped-in" basis--bills rendered on and after the effective date would be calculated using the new rates. This method is

contrasted with the "prorata" method of implementing rates, in which customers' bills are prorated to reflect the change in rates as of the effective date.

Although the Commission usually requires companies to implement new rates on a prorated basis, the Commission has allowed dropped-in rates when the circumstances warrant. In this case, the particular refund plan and the drop-in implementation of rates together have the same overall revenue impact as prorating for usage on and after June 1, 1995. Also, drop-in implementation will allow new rates to go into effect on customers' bills sooner than they would if the rates were prorated and concurrently will reduce the amount of refunds. For these reasons, the Commission will approve Minnegasco's proposal to drop in final rates in this case.

ORDER

1. The Commission accepts Minnegasco's rate case compliance filings, with the two additions to revised rates and tariffs and four modifications to customer notices recommended by the Department and discussed in the body of this Order.
2. Within 30 days after all billing credits have been issued, or by September 1, 1995, whichever comes first, Minnegasco shall file a summary refund report including: refunds and credits issued by class and total; excess revenues not refunded; interest paid by class and total.
3. Minnegasco is entitled to implement the approved final rates, on a "dropped-in" basis, as of June 1, 1995.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)