

ISSUE DATE: July 31, 1995

DOCKET NO. E-001/GR-95-601

NOTICE AND ORDER FOR HEARING

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 a Request by Interstate Power  
Company for Authority to Change Its Rates for  
Electric Service in Minnesota

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**PROCEDURAL HISTORY**

On June 9, 1995, Interstate Power Company (Interstate or the Company) filed a general rate case for its electric utility. In its filing Interstate requested a rate increase of approximately \$4.6 million, or 10.3%. Interstate proposed a historical test year ending December 31, 1994.

In comments filed on June 16, 1995, the Department of Public Service (the Department) recommended that the Commission accept Interstate's rate case filing as complete.

On June 19, 1995, Interstate filed additional direct testimony regarding the Company's medical benefits program and the cost allocations between its regulated and nonregulated operations.

On July 20, 1995, the Commission met to consider the Company's filing.

On August 31, 1995, the Commission issued its ORDER ACCEPTING FILING AND SUSPENDING RATES in this docket. On the same date, the Commission also issued its ORDER SETTING INTERIM RATES.

## FINDINGS AND CONCLUSIONS

### **I. JURISDICTION AND REFERRAL**

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16 (1994). If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2 (1994).

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

### **II. PROPOSED RATES**

The Company proposes rate increases by customer class as follows:

| Class of Service          | Proposed Increase | Increase |
|---------------------------|-------------------|----------|
| Residential               | \$2,130,030       | 11.8%    |
| General Service           | 356,910           | 3.7%     |
| Large Power and Light     | 1,286,440         | 12.4%    |
| Miscellaneous             | 98,976            | 14.0%    |
| Municipal Street Lighting | 102,618           | 16.0%    |
| Total Other Municipal     | 84,828            | 14.2%    |
| Farm                      | 490,868           | 15.6%    |
| Total Other Revenue       | 18,029            | 1.3%     |

A copy of the Company's proposed rate increase proposal is on file in the offices of the Department of Public Service, 121 Seventh Place East, Suite 200, St. Paul, Minnesota 55101-2145, and is open for public inspection during regular office hours.

Copies are also available for public inspection at the Company's offices at 1000 Main Street, P.O. Box 769, Dubuque, Iowa 52004-0769. Proposed rate schedules are also available at the following Interstate Power Company offices: 100 North Broadway, P.O. Box 59, Albert Lea, Minnesota 56007; 100 Main Street, P.O. Box 179, LeRoy, Minnesota 55951; 216 Centertown Plaza, P.O. Box 66, Stewartville, Minnesota 55976.

### **III. ISSUES TO BE ADDRESSED**

Parties shall address the following issues in the course of the contested case proceedings ordered herein:

- 1). Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?
- 2). Is the rate design proposed by the Company reasonable?
- 3). Are the Company's proposed capital structure and return on equity reasonable?

The parties may also raise and address other issues relevant to the Company's proposed rate increase.

### **IV. PROCEDURAL OUTLINE**

#### **A. Administrative Law Judge**

The Administrative Law Judge assigned to this case is Judge Richard C. Luis. His address and telephone number are as follows: Office of Administrative Hearings, 100 Washington Square, Suite 1700, Minneapolis, Minnesota 55401-2138; (612) 349-2542.

#### **B. Hearing Procedure**

Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62 (1994); the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7829.0100 to 7829.3200. Copies of these rules and statutes may be purchased from the Print Communications Division of the Department of Administration, 117 University Avenue, St. Paul, Minnesota 55155, (612) 297-3000.

Under these rules parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-

examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain subpoenas to compel the attendance of witnesses and the production of documents.

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with Judge Luis within 20 days of the date of this Notice and Order for Hearing. Failure to appear at the hearing may result in facts and issues being resolved against the party who fails to appear.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions. They should take note that any material introduced into evidence may become public data unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2 (1994).

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Susan Allender, Special Assistant Attorney General, 121 Seventh Place East Suite 350, St. Paul, Minnesota 55101-2147, (612) 296-9644.

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

### **C. Intervention**

Persons wishing to become formal parties to this proceeding shall promptly file petitions to intervene with Judge Luis. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

### **D. Prehearing Conference**

A prehearing conference will be held in this matter on Friday, August 4, 1995, at 10:00 A.M. in the Large Hearing Room at the Commission offices, 121 Seventh Place East Suite 350, St. Paul, Minnesota 55101-2147.

Persons intending to intervene in the matter should attend the conference, prepared to discuss time frames and scheduling. Other matters which may be discussed include the locations and dates of public hearings, discovery procedures, and similar issues.

### **E. Time Constraints**

The Commission is required to act on the Company's filing within ten months, or the proposed rates are deemed approved. Minn. Stat. § 216B.16, subd. 2 (1994). This ten-month period can be extended for two months, if the parties submit a settlement which is rejected by the Commission. Minn. Stat. § 216B.16, subd. 2 (1994).

The Commission asks the Office of Administrative Hearings to conduct contested case

proceedings in light of these time constraints.

#### **F. Application of Lobbying Provisions**

The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 et seq., apply to general rate cases. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Minnesota Ethical Practices Board, telephone number (612) 296-1720, with any questions.

#### **G. Ex Parte Communications**

Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

### **ORDER**

1. A contested case proceeding shall be held on the Company's proposed rate increase. The proceeding shall begin with a Prehearing Conference on Friday, August 4, 1995, at 10:00 A.M. in the Large Hearing Room at the Commission offices, 121 Seventh Place East Suite 350, St. Paul, Minnesota 55101-2147.
2. This Order will be served on the Company, which shall mail copies of the Order to all municipalities and counties in its Minnesota service area and to such other persons as the Department of Public Service may request.
3. Public hearings shall be held in this matter at locations within the service area of the Company.
4. The Company shall give the following notices of the evidentiary and public hearings:
  - a. Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings;
  - b. Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings;
  - c. Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's Minnesota service area.

These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which heading shall appear in bold face type no smaller than 30 points.

- d. The Company shall submit proposed notices for Commission approval prior to publication or service.
5. Parties are urged to enter into meaningful negotiations regarding settlement of the outstanding issues, to attempt to conclude their settlement negotiations in as timely fashion as practicable, and to submit direct testimony or other documentation to support and explain the settlement. Parties are also urged to submit proposed findings of fact.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar

Executive Secretary

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