

ISSUE DATE: August 30, 1995

DOCKET NO. G-007/M-92-212

ORDER ACCEPTING FILING

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 a Request by Northern  
Minnesota Utilities for Approval of a New  
Town Rate

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**PROCEDURAL HISTORY**

On May 6, 1992, the Commission issued its ORDER APPROVING TARIFF WITH MODIFICATIONS AND REQUIRING FURTHER FILINGS in Docket No. G-007/M-92-212. In that Order the Commission approved a New Town Rate tariff for Northern Minnesota Utilities (NMU or the Company). Under the tariff, NMU would apply a \$6.00 monthly surcharge for customers being piped into certain extension areas in which service was not otherwise cost-justified. The Order also required NMU to file a report by March 1 of each year, detailing the Company's New Town Rate activities for the past year.

On June 17, 1995, NMU filed its annual New Town Rate report. NMU stated that its only New Town Rate project is the Lake View Mobile Home Park extension, completed in 1993. The present value of the revenue deficiency for that project was calculated at \$9,039.17 in the Company's first annual report. NMU has collected \$6,663.00 in surcharges for this project through 1994. Under its established calculation, NMU would collect the required revenue deficiency with a slight shortfall in financing charges by the 1996 surcharge expiration date. In actuality, NMU's sales volumes under the New Town Rate have fallen below projections, thereby increasing the projected revenue deficiency to \$24,144.13. The difference of approximately \$15,000 between the estimated and current actual deficiency will not be collected from expansion customers, because under the tariff the surcharge cannot be increased or extended.

On August 10, 1995, the Company's New Town Rate report came before the Commission for consideration.

**FINDINGS AND CONCLUSIONS**

The Commission finds that NMU's annual New Town Rate filing provides the information necessary to review the Company's New Town Rate project activities for the past year. The Commission will accept the filing as complete.

The effects of a change from a projected revenue deficiency were anticipated in the Company's petition for approval of its New Town Rate tariff. The petition, approved in the Commission's May 6, 1992 Order, stated in relevant part:

If costs are less than anticipated or revenues are more than anticipated, the surcharge will be terminated early. However, if costs are greater or revenue less, the surcharge will not be extended. Therefore, NMU bears all the risk of under-collection, not the ratepayers.

The Company must therefore bear the cost of the revenue deficiency resulting from the application of the tariff in the Lake View Mobile Home Park project. In order that shareholders, not ratepayers, shall bear this cost, the Commission will require NMU in its next rate case to reduce its rate base and related plant costs (depreciation, etc.) by the amount of deficiency in excess of the original approved deficiency (\$9,039.17). Because the actual amount of the deficiency could vary from the current estimate, the Commission will require NMU to update its spreadsheet model for the Lake View project and to calculate the deficiency for the project as of the end of the year prior to the filing of the Company's next rate case.

Finally, the Commission notes that the Company's computer model for calculating the costs and revenues for the New Town tariff contains some errors. The Commission will require NMU to correct the erroneous formulas for first year depreciation and O&M expenses in its spreadsheet model.

### **ORDER**

1. The Commission accepts NMU's June 17, 1995, New Town Rate annual report.
2. As part of its next general rate case filing, NMU shall update its spreadsheet model for the Lake View project and reduce its rate base and related plant costs by the amount by which the actual deficiency exceeds \$9,039.17.
3. NMU shall correct the erroneous formulas for the first year depreciation and O&M expenses in its New Town tariff spreadsheet model.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)