

G-007/M-94-974

ORDER ALLOWING WITHDRAWAL OF PETITION AND REQUIRING FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Tom Burton
Marshall Johnson
Dee Knaak
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition of Northern
Minnesota Utilities for a Variance from
Minnesota Rules regarding the Automatic
Adjustment of Purchased Gas Charges

ISSUE DATE: November 22, 1995

DOCKET NO. G-007/M-94-974

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PROCEDURAL HISTORY

On October 21, 1994, Northern Minnesota Utilities (NMU) filed a petition seeking authority for a change in the calculation of the true-up adjustment of its purchased gas costs and a variance from Minn. Rules, Part 7825.2700, subp. 7 to allow the change.

On December 21, 1994, the Department of Public Service (the Department) filed its report. The Department recommended that the Commission approve NMU's proposed true-up methodology, and associated variance, with certain conditions.

On August 24, 1995, NMU asked the Commission to allow the Company to withdraw its October 21, 1994, petition.

NMU stated that it had been charging rates in accordance with the calculations proposed in the original petition. NMU proposed including the necessary purchased gas adjustment (PGA) recalculations in its September 1, 1995, PGA true-up filing. The corrections would cover the 1994-95 period typically covered in the September, 1995, filing, and also recalculations of the September, 1994, true-up.

On October 19, 1995, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. BACKGROUND

NMU's October 21, 1994, petition for a variance stated that in the 1993-94 PGA period there had been a shortfall in the recovery of gas costs related to the Large Volume Service (LVS)

class. NMU stated that the shortfall was due to higher than predicted commodity prices for gas. Because LVS customer migration had resulted, the petition sought a waiver of PGA rules to recover the shortfall from all firm sales customers.

In the Company's request for a withdrawal of its petition, it stated that it now believed that the 1993-94 shortfall was due to an accounting change in the recording of unbilled revenues.

In responses to information requests, NMU also revised the allocation it had submitted with its original filing. NMU no longer divided the total commodity costs by the total sales volumes, resulting in an equal per unit cost for all classes, as it had done in its original filing. In its revised filing, NMU divided the total commodity cost by the total *purchase* volumes rather than *sales* volumes. NMU explained that it used the resulting lower per unit cost only for the LVS class because this class has no associated unbilled sales.

II. ISSUES RAISED

The Commission finds that the Company's revised filings have raised numerous questions regarding the treatment of its PGA. Following are some of the major issues raised:

- the propriety of NMU's revised PGA allocation methods
- the propriety of NMU's past and present method of calculating unbilled revenues
- the prudence of NMU's forecasting practices--practices which in this case may have resulted in significant differences between forecasts and actual purchases, and relatively high-cost spot market purchases
- the issue of LVS customers shifting between firm system sales and interruptible transportation and the question of whether the Company has an obligation to serve those customers

III. COMMISSION ACTION

In its August 24, 1995, request for withdrawal of its variance petition, NMU stated that it would include in its September, 1995, PGA true-up filing the corrections it intended for the 1994-95 period, and also the corrections it proposed for the September, 1994, true-up. As the Company noted, allowing it to withdraw its petition and incorporate its changes in the September, 1995, PGA filing would not diminish the Commission's ability to review the Company's PGA calculation and allocation methods. To that end, NMU stipulated as follows:

...the information provided in this Docket should be available for review in the September 1995 PGA true-up Docket...it will make the September 1995 PGA true-up filing in a manner consistent with the corrected information provided in this Docket.

The Commission finds that it is appropriate to allow NMU to withdraw its variance petition, under the conditions the Company proposed. This will clear the outstanding procedural issue and enable the Commission and parties to address the substantive issues which have been raised during this proceeding. The Commission will request the Department, as part of its analysis of the Company's 1995 filing, to address the above-listed issues and any other relevant questions arising from NMU's 1993-94 and 1994-95 PGA filings.

To assist the Department in its investigation and analysis, the Commission will require NMU to file a detailed explanation of all the revisions it made to the original filing in preparing its revised 1993-94 true-up. The Company should provide a detailed justification of the changes, and explain why it believes the methodology used in the original filing, and previous filings, is no longer appropriate.

To further assist the Department, NMU must provide audited financial reports supporting its 1993, 1994, and 1995 PGA filings.

The Commission requests the Department to include in its investigation and analysis a detailed explanation of its agreement or disagreement with the Company's revised filing.

ORDER

1. The Commission approves NMU's request to withdraw its October 21, 1994, petition for a variance.
2. In its September, 1995, PGA true-up filing, NMU shall provide information regarding the corrections it proposes for the 1994-95 period, and also for the September, 1994, true-up. The information shall include a detailed explanation of all the revisions NMU made to the original filing in preparing its revised 1993-94 true-up. The information shall also include a detailed justification of the changes, and an explanation of why NMU believes the methodology used in the original filing, and previous filings, is no longer appropriate.
3. As part of the September, 1995, true-up filing, NMU shall file audited financial reports supporting the 1993, 1994, and 1995, PGA filings.
4. Information provided in the current docket shall be part of the record for the September, 1995, true-up docket.
5. As part of its analysis of the Company's 1995 PGA filing, the Department should address the issues listed in this Order and any other relevant questions arising from NMU's 1993-94 and 1994-95 PGA filings. The Department should include in its investigation and analysis a detailed explanation of its agreement or disagreement with the Company's revised filing.

6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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