

ISSUE DATE: November 18, 1996

DOCKET NO. G-008/M-96-1009

ORDER DENYING REQUEST FOR DECLARATORY ORDER, OR IN THE
ALTERNATIVE, RULE VARIANCE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Marshall Johnson
Dee Knaak
Mac McCollar
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Minnegasco for
a Declaratory Order or a Variance

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DECLARATORY ORDER, OR IN THE
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PROCEDURAL HISTORY

On August 30, 1996, Minnegasco filed a petition requesting a declaratory order, or, in the alternative, a rule variance. Minnegasco sought authority to change its purchased gas adjustment (PGA) true-up methods governed by Minn. Rules, part 7825.2700, subp. 7. Minnegasco indicated that it wished to implement its requested change on November 1, 1996.

The Department of Public Service (the Department) requested and received a 30 day extension to its due date for filing comments. The Department's comments on Minnegasco's filing are now due November 4, 1996.

On October 24, 1996, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. MINN. RULES, PART 7825.2700, SUBP. 7

Minn. Rules, part 7825.2700, subp. 7 governs the yearly true-up of the PGA:

The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

II. MINNEGASCO'S PETITION

Minnegasco is in the process of developing an aggregation service pilot program which would allow gas marketers to group certain customers into pools and sell gas directly to those customer pools on an aggregated basis. If the pilot program is implemented, a number of Minnegasco's firm sales customers will become transportation customers.

In the colder than normal winter of 1995-96, Minnegasco overcollected a significant amount of demand costs for the firm sales class. Under the PGA rules, the overcollection would be returned in a true-up to the firm sales class. If some firm sales customers switch to firm transportation service under the pilot program, however, those customers might not receive their due under the PGA true-up.

Minnegasco therefore petitioned the Commission to allow the Company to change its method of implementing the demand cost of gas true-up. Under the Company's proposed method, customers who switch from firm sales service to firm transportation service would receive the demand cost of gas true-up credit to which they are entitled. At the same time, customers who did not contribute to the current demand cost of gas overcollection during the year would not receive the PGA demand cost of gas credit if they later switch to firm sales service.

In its original filing, Minnegasco indicated that it intended to implement the requested change in the PGA true-up effective November 1, 1996, pursuant to the 60 day time frame for implementing a rate change in Minn. Stat. § 216B.16, subd. 1.¹

Minnegasco asked the Commission to issue a declaratory order stating that the Company has the authority to change its PGA true-up methods in the manner the Company proposed. In the alternative, the Company asked for a variance to Minn. Rules, part 7825.2700, subp. 7, so that the Company can apply true-up credits to customers who are now in a class other than the customer class which paid the overcollection.

III. COMMISSION ACTION

Minnegasco's proposed change to its PGA true-up has raised a number of significant issues both for this docket and for a more competitive utility future in which gas utilities' services may be unbundled. Issues of stranded costs or credits will continue to arise if customers switch from a sales to a transportation basis due to new marketing structures. The Commission finds that it does not have sufficient information at this point in this proceeding to properly review and analyze these issues. The Commission particularly notes that it has not had the benefit of the Department's comments on these issues. The Commission is unwilling to decide these important issues without the proper review and analysis.

Granting the Company's request for a change in the PGA true-up would require a variance to Minn. Rules, part 7825.2700, subp. 7, which requires that true-ups be applied to the customer class responsible for the overcollection. For the reasons stated in this Order, the Commission

¹ Since the time of its original filing, however, the Company verbally informed Commission Staff that it did not intend to implement the change on November 1.

finds that a variance would not be in the public interest at this time. The variance request fails to fulfill the second of three criteria for granting a variance under Minn. Rules, part 7829.3200: granting the variance would adversely affect the public interest, due to insufficient time for Commission consideration of the proposal.

The Commission will therefore not grant Minnegasco a variance to Minn. Rules, part 7825.2700, subp. 7 at this time. The Commission denies Minnegasco's request to change its PGA true-up procedure at this time. Minnegasco's request will be considered further in this docket when the parties' comments have been received and the Commission has had sufficient time to review and analyze all filings.

For the reasons stated, the Commission will deny Minnegasco's August 30, 1996 request for a declaratory order, or in the alternative, a variance to Minn. Rules, part 7825.2700, subp. 7.

ORDER

1. The Commission denies Minnegasco's August 30, 1996 request for a declaratory order, or in the alternative, a variance to Minn. Rules, part 7825.2700, subp. 7.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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