

ISSUE DATE: March 24, 1997

DOCKET NO. G-012/GR-96-572

DOCKET NO. G-012/MR-97-105

ORDER APPROVING NEW BASE COST OF GAS AND COMPLIANCE FILING
INCLUDING PROPOSED REFUND PLAN

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey
Joel Jacobs
Marshall Johnson
Mac McCollar
Don Storm

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Request of Western Gas Utilities, Inc. to Increase its Rates for Natural Gas Service

ISSUE DATE: March 24, 1997

DOCKET NO. G-012/GR-96-572

In the Matter of a Petition by Western Gas Utilities, Inc. to Establish a New Base Cost of Gas

DOCKET NO. G-012/MR-97-105

ORDER APPROVING NEW BASE COST OF GAS AND COMPLIANCE FILING INCLUDING PROPOSED REFUND PLAN

PROCEDURAL HISTORY

On January 22, 1996, Western Gas Utilities, Inc. (Western or the Company) made a compliance filing in its rate case, Docket No. G-012/GR-96-572, pursuant to the Commission's December 19, 1996 ORDER ACCEPTING AND ADOPTING SETTLEMENT, AS AMENDED, AND CORRECTED REVENUE REQUIREMENTS. The Company's filing included a proposed customer notice regarding the newly approved rates and a proposed refund plan. On the same day, Western filed a proposal to establish a new base cost of gas, which was assigned to Docket No. G-012/MR-97-105.

On January 31, 1997, the Minnesota Department of Public Service (the Department) filed its comments regarding Western's compliance filing. The Department provided supplemental compliance information and additional supplemental comments on February 18, 1997 and March 3, 1997, respectively. Docket No. G-012/GR-96-572.

On February 5, 1997, the Department filed comments regarding Western's proposal to establish a new base cost of gas. Docket No. G-012/MR-97-105.

The Commission met on March 13, 1997 to consider this matter.

FINDINGS AND CONCLUSIONS

A. Base Cost of Gas: Docket No. G-012/MR-97-105

In its December 19, 1996 ORDER ACCEPTING AND ADOPTING SETTLEMENT, AS AMENDED, AND CORRECTED REVENUE REQUIREMENTS in Western's most recent rate case (Docket No. G-012/GR-96-572), the Commission directed Western as follows:

Within 30 days of the date of this Order, the Company shall submit its related base cost of gas, zeroing-out its purchased gas adjustment (PGA) at the effective date of the final rates. Order at page 17.

The Commission had used similar language with respect to the base cost of gas compliance filing in Western's previous rate case Order. See In the Matter of the Request of Western Gas Utilities, Inc. to Increase its Rates for Natural Gas Service, Docket No. G-012/GR-92-22, ORDER ACCEPTING AND ADOPTING STIPULATION AND OFFER OF SETTLEMENT (October 15, 1992) at page 10.

In its base cost of gas compliance filing, Western interpreted this Order language to require the filing of a new base cost of gas that zeroed-out the base cost of gas at a date closer to the effective date of final rates rather than using test year period gas costs and sales volumes. Consequently Western used its current costs (as of December 1, 1996) for the new base cost of gas, costs which are approximately 49 percent higher than the gas costs used in the test year.

In fact, this was not the Commission's intention. Consistent with the approach required of other utilities, the Commission intended that Western should reset the base cost of gas at the end of the rate case at the cost of gas used in the rate case test year using test year purchased gas costs and test year sales volumes. This approach is preferred because it makes it easier for the Commission to review final rates in the compliance filing, in the Company's next rate filing, and to explain those rates to customers.

However, Western's interpretation appears to have been made in good faith and violates no Commission rule. In addition, Western's mistaken approach has had no practical effect on customers because the increased gas costs will be charged to customers in the PGA if they are not included in base rates. Further, Western 1) affirmed that it now understands the Commission's desired approach, 2) acknowledged that the Commission's approach is in fact an easier approach for the utility, and 3) affirmed that it will utilize this approach in the future. Finally, the Department has prepared a spreadsheet reconciling the difference between test year gas costs and throughput volumes and the revised base cost of gas and throughput volumes in Western's new base cost of gas filing.

In these circumstances, the Commission will accept the results of Western's base cost of gas methodology in this case. The Commission clarifies that Western's petition is accepted only because, in light of the unique circumstances of this case cited above, it would be unduly burdensome for the Company to revise its petition. The Commission views this as a one-time exception to normal practice.

B. Rate Case Compliance Filing: Docket No. G-012/GR-96-572

1. Refund Proposal

Western identified an amount of interim rate revenue that it had collected in excess of final authorized rates and proposed to begin refunding that amount in mid-March 1997, at the beginning of its monthly billing cycle, before the issuance of the Order actually authorizing the refund. Western also requested permission to make its refund over a four month period, a proposal that is contrary to the requirements of Minn. Rules, Part 7825.3300, which requires that refunds be completed within 90 days of the Order authorizing such refunds.

The Commission finds that the three-fold requirements of the variance rule (Minn. Rules, Part 7829.3200) have been met and, therefore, will grant Western a variance of the 90 day completion requirement of Minn. Rules, Part 7825.3300.

First: enforcement of the rule would impose an excessive burden on Western because it would face cash-flow problems if it returned the money in a period of less than four months

Second: granting the variance would not adversely affect the public interest because customers will receive the prime rate of interest on the refund and Western will ensure that any customers who leave the system owed refunds greater than \$5.00 will receive refunds through checks.

Third: granting a variance would not conflict with standards imposed by law because the only statute regarding the timing of refunds states when the refund should begin, not when it must be completed. See Minn. Stat. § 216B.16, subd. 3 (1996).

2. Balance of Rate Case Compliance Filing

The Commission has assessed the balance of Western's compliance filing, finds that it is reasonable and will approve it as revised by the Company. The Company's revision merits comment: as revised, the text clarifies that the table displayed in the notice presents the annual (rather than the monthly) effect of rate changes on bills for residential, commercial, and industrial customers.

ORDER

1. Western's new base cost of gas petition is approved.
2. Western's proposed refund plan is approved and its associated variance from the 90 day completion requirement of Minn. Rules, Part 7825.3300 is approved, as discussed in the text of this Order.
3. The remainder of Western's rate case compliance filing, including the customer notice as corrected, is approved.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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