BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Gregory Scott	Chair
Edward A. Garvey	Commissioner
Marshall Johnson	Commissioner
LeRoy Koppendrayer	Commissioner
Phyllis A. Reha	Commissioner

In the Matter of a Petition of Reliant Energy Minnegasco for Approval of a Miscellaneous Rate Change and Miscellaneous Tariff to Offer Customers a Fixed Bill Option

ISSUE DATE: September 26, 2001

DOCKET NO. G-008/M-01-974

ORDER GRANTING PETITION WITH MODIFICATIONS AND REPORTING REQUIREMENTS

PROCEDURAL HISTORY

On June 18, 2001, Reliant Energy Minnegasco (Minnegasco or the Company) filed a petition to conduct a four-year pilot program under which eligible customers could sign a one-year, renewable contract under which they would pay an individually predetermined, fixed monthly rate for all natural gas used within that twelve-month period.

On August 10, 2001, the Department of Commerce (the Department) filed comments. The Department recommended approving the program with modifications and detailed filing and reporting requirements, all of which the Company accepted. The Department also urged the Commission to vary its purchased gas adjustment rules to permit the program to go forward.

On the same date the Residential and Small Business Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments raising consumer protection, due process, full disclosure, and fair and reasonable rates issues. On September 5, 2001, the Company, the Department, and the RUD-OAG made a joint letter-filing setting forth further agreements between these parties.

On September 13, 2001, the Commission met to consider the Company's petition. At this meeting the three parties reached additional agreements. Ultimately, they all supported granting the petition, as modified by these and earlier agreements, subject to detailed filing and reporting requirements.

FINDINGS AND CONCLUSIONS

I. The Company's Proposal

The Company proposes to enroll up to 30,000 residential and small commercial customers in its experimental fixed-bill pilot program. Eligibility would be limited to customers meeting these requirements:

- the customer is served through the Northern Natural pipeline;
- the Company has six to twelve months of reliable information on the customer's usage at the customer's present location;
- the customer's usage is weather-sensitive; and
- the customer meets general standards of creditworthiness.

The Company emphasized that it would not market the program as a less expensive alternative to traditional pricing, which fluctuates with the wholesale price of gas, but as a more predictable alternative. The general purposes of the program were to give customers who valued certainty over precision a tool for stabilizing their energy costs, to provide a more predictable revenue stream for the Company, and to explore new pricing and delivery options in an economic environment the Company sees as evolving toward greater consumer choice.

The program would be jointly operated by Minnegasco and WeatherWise USA, Inc. (WeatherWise), a privately held corporation that specializes in quantifying and managing weather-related financial risks facing energy consumers. WeatherWise would provide the expertise, personnel, and proprietary software required to analyze the effects of the weather on each individual customer's usage and to determine an appropriate fixed monthly rate based on each customer's usage, long-term local weather data, and gas cost data.

WeatherWise would also market the program to consumers, manage the enrollment process, and answer questions from potential and actual program participants. Once the program is underway, WeatherWise would monitor and analyze participants' usage, both to prepare customized conservation information for individual customers and to spot any cases in which customers drastically increased their usage in light of the fixed price.

The Company proposed to charge each participant a 6% fee and a carrying charge based on the cumulative difference between the customer's fixed bill and a weather-normalized bill. Of the six percent fee, five percent would go to WeatherWise and one percent to Minnegasco. At the end of the pilot program, Minnegasco may receive an additional one percent from WeatherWise based on an incentive mechanism designed to reward WeatherWise for making the most accurate possible quotes. The Company had designed the pilot program to be revenue-neutral and to ensure that neither set of ratepayers – those in the program or those receiving traditional billing – subsidized the other.

The Company had already bought gas supplies for the program, since it could not calculate fixed monthly rates without factoring in the price of gas. The Company was not seeking approval of that purchase, which was from an affiliate, or any finding as to the reasonableness of rates based on that purchase.

II. Commission Action

A. Pilot Program Approved as Modified

The Commission agrees with the parties that a carefully constructed, closely monitored pilot program offering natural gas service at fixed monthly prices would serve the public interest.

The program could be a boon to some customers – those willing to risk slightly higher overall gas bills to know exactly what those bills will be over a twelve-month period. It could raise public awareness of how natural gas service is priced, benefitting both the Company and the public. It could help gauge public demand for, and acceptance of, new pricing and service options. It could give the Company valuable experience in administering non-traditional service offerings.

Further, the program has been structured to ensure that neither program participants nor the general body of ratepayers will subsidize the other group, whatever the differences between the cost of gas for the two groups. Similarly, the program's design ensures that the Company will not profit from any disparity between the price of gas for the two groups.

For all these reasons, the Commission will approve the program, as modified in response to parties' comments. The Commission concurs in, and will require, all the modifications, safeguards, and reporting requirements agreed to by the parties.

The Commission will also require the Company to demonstrate, in its first annual filing, that the 6% monthly fee it plans to charge program participants is just and reasonable. The record did not provide detailed evidentiary support for the 6% charge, and it stated that a similar program operated by WeatherWise in Kansas featured only a 4% monthly fee. The Commission will therefore require the Company to justify this 6% fee on the basis of its experience with the program.

B. Purchased Gas Adjustment Rules Varied

Finally, the Commission will vary the applicable purchased gas adjustment rules, Minn. Rules 7825.2700, subps. 3, 6, and 7, and Minn. Rules 7825.2910, subp. 4, to permit the program to go forward. Without these variances, the Company would be required to adjust all customers' bills, including those of program participants, to reflect fluctuations in the price of gas.

The Commission's rules of practice and procedure permit it to vary any of its rules upon making the following findings:[1]

[1] Minn. Rules 7829.3200, subp. 1.

(1) enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;

(2) granting the variance would not adversely affect the public interest;

(3) granting the variance would not conflict with standards imposed by law.

The Commission will vary the rules as to program participants for the life of the program, making the following findings:

(1) Enforcing the rules would impose an excessive burden upon the Company, the public, and potential program participants, by making it impossible for the Company to offer a fixed-rate pilot program;

(2) Varying the rules would not adversely affect the public interest and would in fact serve the public interest by permitting the Company to offer this innovative pilot program;

(3) Varying the rules would not conflict with any other standards imposed by law, since the Public Utilities Act permits, but does not require, the use of a purchased gas adjustment.[2]

The Commission will so order.

ORDER

1. The Company's petition, as modified in its agreements with the Department of Commerce and the Residential and Small Business Utilities Division of the Office of the Attorney General, is hereby granted.

2. Minnegasco shall file an annual report within 90 days of the end of the initial enrollment term and then, in each subsequent year the pilot program is in effect, within 90 days of the end of the program year. This report shall contain all available items from the following list:

    a) the final details of the gas supply billing components;
    b) by contract, the actual dollar amounts and volumes of fixed-price gas purchased for the participants and for the total system;

[2] Minn. Stat. § 216B.16, subd. 7.

c) any excess recovery of the option/reservation costs for the previous program year and a formal proposal for any excess;

d) Minnegasco's detailed revenue and costs from the pilot program;

e) the detailed reasons stating why it is not continuing to offer the program and whether it intends to offer the program in subsequent years if the Company determines that participation levels are inadequate to continue the program or that gas supplies are unobtainable;

f) the final participation levels (customers and volumes) for the current program year;

g) the number of Fixed Bill participants and a monthly breakdown of participant arrearages;

h) the number of eligible applicants precluded from participating in the program due to the 30,000 participant cap;

i) the number of early exits from the program, the reason for exit, and any fee and/or Cashout applied;

j) the number of participants who declined re-enrollment;

k) the number of participants who re-enrolled;

l) the statistics on "Dial-Up" or "Dial-Down"; and

m) Any other relevant information that the Company believes would be helpful to evaluate the program.

3. Minnegasco shall not be required to true-up the bills of continuing fixed bill program participants.

4. Minnegasco shall include the July through October recovery paid and costs incurred prior to the first program year that a customer joins with the traditional rate true up for that period.

5. Minnegasco shall use the actual commodity costs of the Fixed Bill customers in the true-up calculation instead of a calculated amount.

6. Minnegasco shall emphasize in all of its customer education and marketing materials, in addition to the ten items listed on page 13 of its filing, the following information:

   a) The purpose of the pilot program is to provide bill certainty not bill savings;

   b) Enrollment in the pilot program carries the risk of paying more (or less) for gas; and

   c) The Fixed Bill will be calculated assuming normal weather conditions will prevail;

   d) The 2000-01 winter was unusual in terms of gas prices so it may not be useful to compare last year's natural gas costs with the Fixed Bill amount.

7. The Company shall submit annually for Commission and Department inspection samples of all bill inserts, advertisements, webpage designs, pamphlets, or other methods of advertisement prior to the time that the Company intends to use the materials in publicizing the pilot program.

8. The Company shall notify the Commission and the Department of all public education presentations related to the pilot program.

9. The Company shall modify the proposed section V, tariff original page 1, Rate paragraph as follows:

   ". . . A fixed bill fee (6 percent) and. . ."

10. The Company shall incorporate language in its tariff regarding the treatment of current CCRC and the existing true-up charges under the Fixed Bill.

11. The Company shall change the heading of the tariff to reflect the name of this pilot program (the "No Surprise Bill").

12. The Company shall coordinate the conservation proposal set forth in the instant docket with its approved 2001-2002 Biennial CIP or future CIP proposals whenever it is feasible to do so.

13. The Company shall comply with the additional agreed upon requirements listed in the Company's September 5, 2001 supplemental comments.

14. The Company shall provide the RUD-OAG and the Department of Commerce with signed gas purchase contracts for each program year within 10 days after the program year starts.

15. The Company shall report on the number and nature of complaints the company receives each year of the program.

16. The gas cost used in establishing the fixed monthly charge is subject to Commission review to determine if the gas cost is just and reasonable. Nothing in this Order shall limit the Commission's authority to order any appropriate remedy, including but not limited to appropriate refunds or credits to customers, upon completion of its review.

17. Minnegasco shall demonstrate in its first annual filing made under this Order that the program's 6% fee for participants is just and reasonable.

18. Minnegasco shall adjust the true-up rate charged for the participant's first year in the program for the September and October costs.

19. The Commission hereby varies Minn. Rules 7825.2700, subps. 3, 6, and 7, and Minn. Rules 7825.2910, subp. 4, as set forth above.

20. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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