

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Marshall Johnson  
Ken Nickolai  
Phyllis A. Reha  
Gregory Scott

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Great Plains  
Natural Gas Company, a Division of MDU  
Resources Group, Inc., for Authority to  
Increase Natural Gas Rates in Minnesota

ISSUE DATE: January 16, 2004

DOCKET NO. G-004/GR-02-1682

ORDER ACCEPTING COMPLIANCE  
FILING WITH MODIFICATIONS AND  
REQUIRING FURTHER FILINGS

**PROCEDURAL HISTORY**

On October 9, 2003, the Commission issued an Order accepting and adopting a settlement agreement resolving all issues in this general rate case. The Commission found that Great Plains' revenue requirement had increased by some 4.65% and authorized an annual rate increase of \$1,093,619 to recover this revenue deficiency.

The Order also approved changes in the Company's rate design. The most significant of these was the decision to integrate, through a three-year phase-in process, the rate schedules for customers in the North-4 and Crookston rate areas. These customers are served by the same interstate pipeline and the same gas supply, but they have been paying different rates based on historical differences in their cost of service.

Among other things, the Order required the Company to refine its depreciation accounting procedures, its cost allocation procedures, and its service extension policies, tariffs, and record-keeping practices. The Order also required the Company to make a compliance filing setting forth the details of its new rates and rate structures, its tariff revisions, its plans for informing customers about the new rates, and its proposal for refunding the difference between amounts collected in interim rates and amounts authorized in final rates.

On November 10, 2003, the Company made its compliance filing. On December 1, 2003, the Department of Commerce (the Department) filed comments on the compliance filing, recommending approval with minor modifications. On December 11, 2003, the Company filed reply comments. On December 19, 2003, the Company and the Department filed joint supplemental comments.

On January 6, 2004, the filing came before the Commission, at which time the two parties had resolved all issues between them.

## **FINDINGS AND CONCLUSIONS**

### **I. Summary of Commission Action**

Together, the Company and the Department have worked out the details of implementing the October 9 Order, including, among other things, new rate schedules, new financial schedules, tariff revisions, customer notices, and a plan for refunding to customers amounts over-collected in interim rates. The Commission concurs with the parties' recommendations on all issues, with one exception. That exception is the threshold amount for refunding interim rate over-collections to individual inactive customers.

### **II. Interim Rate Refunds to Inactive Customers**

The parties agreed to set the threshold for refunds to individual inactive customers at \$5.00, with all refunds under that amount being credited to the general body of ratepayers through a credit to the Company's Conservation Improvement Program tracker account. The Commission will instead set that threshold at \$2.00.

It is clear that at some point the costs of attempting to refund overpayments to individual inactive customers exceed the benefit of making those refunds. Rate cases are lengthy proceedings, and many customers who leave the Company's system in the course of a rate case cannot be found at the end of it. This makes the cost and inconvenience of administering refunds to inactive customers high.

At the same time, however, interim rates are collected with the promise to refund the difference between those rates and the final rates approved by the Commission. Basic equity and public confidence in the regulatory process therefore require setting the refund threshold for inactive customers close to a *de minimis* level.

At hearing the parties stated that the proposed \$5.00 threshold approximates the average refund due inactive customers. The Commission concludes that the benefits of attempting to refund interim rate overpayments to the average inactive customer outweigh the administrative costs of that effort and will therefore lower the refund threshold to \$2.00.

### **III. Website Development Encouraged**

One of the implementation issues explored by the Company and the Department was whether the Company's website might be a useful tool for educating customers about utility issues generally and rate issues in particular. The parties agreed that the website held potential for these purposes.

The Commission encourages the parties to continue exploring these issues and encourages the Company to continue its efforts to maximize the accuracy and informational value of its website to consumers.

### **IV. Revised Income Statement Approved**

The parties submitted a revised income statement reflecting the sales forecast approved and adopted in the October 9 Order, as well as the new base cost of gas. That income statement is accurate and will be approved. For purposes of convenience and efficiency, it is set forth below:

Operating Revenues	
Sales	\$ 23,046,073
Transportation	328,520
Other	98,910
Total Revenues	<u>\$ 23,473,503</u>
Operating Expenses	
Operation and Maintenance	
Cost of Gas	\$ 17,260,252
Other O&M	4,488,720
Total O&M	<u>\$ 21,748,972</u>
Depreciation	953,061
Taxes Other Than Income	541,412
Current Income Taxes	(70,866)
Deferred Income Taxes	9,102
Total Expenses	<u>\$23,181,681</u>
Operating Income	<u>\$ 291,822</u>

### **ORDER**

1. The Commission hereby approves Great Plains' three-year phase-in plan for consolidating the rate structures of the Crookston and North-4 service areas.
2. Great Plains shall notify the Commission in writing at least 30 days in advance of implementing the second and third steps of its Crookston and North-4 rate consolidation phase-in plan.
3. The Commission hereby approves the revised income statement set forth in the text of this Order.
4. In future rate cases, Great Plains shall adjust the cost of gas related to any changes from the initial proposed sales forecast to properly account for the per unit change in demand cost
5. The Commission hereby approves Great Plains' proposed customer charges and non-gas margins rates as revised in Great Plains' and the Department's December 19, 2003 joint supplemental filing.
6. The Commission hereby approves Great Plains' proposed revised tariff sheets, except for Original Sheet Nos. 6-19, 6-29, 5-110, 7-2, and 7-3. The page numbering is hereby corrected as discussed in Section II.A.vi and Recommendation 6 of the Department's December 1, 2003 comments.
7. Great Plains shall file revised tariff sheets consistent with the final order in Docket No. G-004/MR-03-1799 if later found by the Commission to be inconsistent with the Commission's determination of the base cost of gas.

8. The Commission hereby defers any decision regarding Great Plains' proposed base cost of gas to Docket No. G-004/MR-03-1799.
9. The Commission hereby approves Great Plains' proposed conservation cost recovery charge of \$0.0270 per dk for all customer classes.
10. The Commission hereby accepts the proposed agreements and contracts that are included in Great Plains' proposed tariff.
11. Within 10 days of the completion of the interim rates refund, Great Plains shall file a refund report setting forth and showing the calculations underlying the following amounts:
  - (a) total amounts refunded;
  - (b) amounts refunded by customer class;
  - (c) amounts refunded by service area;
  - (d) total interest paid;
  - (e) interest paid by customer class;
  - (f) interest paid by service area;
  - (g) total amount of the refund the Company was unable to distribute.
12. The Commission hereby authorizes Great Plains to implement final rates for services rendered on and after the effective date of this order.
13. Within 10 days of the date of this Order, Great Plains shall make a filing containing its final rate schedules and tariffs as modified herein.
14. Great Plains shall file revised customer notices consistent with the decisions herein regarding the disposition of unrefunded monies and correcting customer bill impact estimates in earlier draft(s) of the customer notice. These notices shall be submitted to the Executive Secretary, to whom the Commission delegated approval authority in its November 2, 2002 Notice and Order for Hearing in this case.
15. The Commission encourages Great Plains to work with the Department to increase the effectiveness and usefulness of its website as a source of information for customers.
16. Great Plains shall maintain separate Gas Cost Reconciliation factors for Crookston and the North-4 rate areas through August 31, 2004 to properly refund the over-collection to Crookston customers and to collect the under-collection from North-4 customers related to its demand entitlements from Docket No. G-004/M-03-303.
17. The Commission hereby denies Great Plains' proposal to implement new Conservation Cost Recovery Adjustment factors as part of this compliance filing, deferring that decision to Docket G-004/M-03-1009.
18. Within 10 days of the effective date of final rates, Great Plains shall resubmit its Conservation Improvement Program tracker account for the entire period that interim rates were in effect.

19. Great Plains shall make interim rate refunds to individual inactive customers whose interim rate refund equals \$2.00 or more.
20. Great Plains shall credit to its Conservation Improvement Program tracker account the amounts of all interim rate refunds below \$2.00 attributable to inactive customers.
21. Great Plains shall handle uncashed interim rates refund checks in the same manner it handles unclaimed customer deposits under Minn. Stat. §§ 345.34 and 345.41 through 345.48.
22. The Commission hereby approves the proposed customer bill format submitted by the Company on November 25, 2003 and attached to staff briefing materials dated January 6, 2004 as Attachment B.
23. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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