

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Ken Nickolai
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Greater
Minnesota Gas, Inc. for Authority to Establish
Natural Gas Rates in Minnesota

ISSUE DATE: June 18, 2004

DOCKET NO. G-022/GR-04-667

ORDER ACCEPTING FILING EFFECTIVE
WHEN COMPLETED

PROCEDURAL HISTORY

In September 2002, Greater Minnesota Gas, Inc. (GMG) notified the Department and the Commission that it would no longer qualify for an exemption from Commission rate regulation, under Minn. Stat. § 216B.16, subd. 12, because the Company had reached the 2,000 customer mark.¹ GMG is the first exempt gas utility in Minnesota to come under Commission rate regulation after reaching the 2,000 customer level.

On January 24, 2003, Greater Minnesota Gas, Inc. filed its rate schedules and tariff book and asked for authority to continue charging its existing rates until it filed its first general rate case in early 2004.

On May 27, 2003, the Minnesota Department of Commerce (the Department) submitted comments and recommended the Commission authorize GMG to continue applying its current rate schedules but require GMG to file a general rate case by February 2004.

On June 16, 2003, GMG submitted a letter agreeing to the Department's recommendations.

On August 28, 2003, the Commission issued an Order requiring GMG to file a general rate case no later than February 2004.

On February 13, 2004, GMG submitted its request for a two-month extension and the Commission issued an Order granting GMG's two month extension request until April 2004.

¹ Prior to this notification, GMG's rates were regulated and approved by the local governing bodies (i.e. the municipalities and townships) of the areas in which the Company provides service.

On April 30, 2004, GMG filed a request for authority to establish its current rates as base natural gas rates. While stating that it has a \$528,000 test-year revenue deficiency, GMG did not propose to change its rates nor did it ask to collect interim rates.

On May 14, 2004, the Minnesota Department of Commerce (the Department) filed comments.

On May 21, 2004, GMG filed reply comments.

The Commission met on June 10, 2004 to consider this matter.

FINDINGS AND CONCLUSIONS

I. GMG's INITIAL FILING

On April 30, 2004, Greater Minnesota Gas, Inc. filed its general rate case. Despite a stated test-year revenue deficiency of approximately \$528,000, GMG did not propose to change its rates in this filing. GMG proposed to establish its current rates as authorized "base" rates and tariffs. GMG proposed a projected test year ending December 31, 2004. GMG did not propose interim rates in its filing.

The Company proposed a projected test year, the 12-month period ending December 31, 2004, as the test year in this rate case.

GMG proposed a return on common equity of ten percent for the purpose of calculating its revenue requirement in this docket and demonstrating that it has a revenue deficiency. GMG stated that ten percent is conservative and lower than any recently approved returns on common equity (ROEs).

GMG proposed a schedule of rates in separate tariffs in the Company's Gas Rate Book for three different areas within its service territory.

II. THE DEPARTMENT'S COMMENTS

The Department explained why it believed GMG's filing was incomplete and recommended that to complete its filing, GMG should provide:

1. a conservation improvement plan, pursuant to Minn. Stat. § 216B.16, subd. 1;
2. specific responses to service extension and policy questions;
3. a demonstration of its cost allocation principles;
4. a written true-up proposal and demand entitlement filing (including a design-day calculation and monthly PGA filings from July 2003 to date);

5. a written discussion of Commission policy statements, including documentation related to advertising and marketing costs;
6. a discussion of its customer bill format; and
7. tariffs in legislative format with an explanation of any changes.

The Department recommended the Commission delay its acceptance of GMG's filing (which would delay or suspend the start of the ten-month rate case clock) until the Department confirms that GMG has fully complied with the requirements of Minn. Stat. § 216B.16 as well as prior Commission Orders and policy statements. The Department also recommended that after the Commission has found the filing complete, the Commission should refer this matter to the Office of Administrative Hearings.

III. GMG's REPLY COMMENTS

GMG stated its belief that its filing is complete except for the requirement that it have an approved conservation improvement plan, which is required by Minnesota law. GMG stated that the Department's remaining concerns (e.g. the need for an on-the-record, written explanation of GMG's cost allocations, service extensions, and annual true-up proposal, etc.) are not completeness issues and could be resolved informally or through discovery. GMG clarified, that it did not object to the Department's recommendation to delay the acceptance of this filing until all filing requirements deemed appropriate were filed, however, since it was simply seeking to establish base rates and did not request a rate increase.

Regarding involvement of the Office of Administrative Hearings (OAH), GMG stated that the OAH may be beneficial in order to assist in any public hearings but that it is premature to decide on the need for evidentiary proceedings. GMG stated its hope that the matter could be concluded quickly and efficiently without imposing significant regulatory costs on the company and its customers.

IV. COMMISSION ANALYSIS AND ACTION

GMG has agreed to provide the information that the Department has identified as missing from the Company's rate case filing. To maintain the positive momentum in this docket, therefore, the Commission will not reject the filing on grounds of incompleteness and will allow the Company to perfect its rate case filing by submitting the identified information. In addition, to avoid the need for a further Commission hearing on the completeness issue, the Commission will authorize its Executive Secretary to assess the Company's anticipated augmented filing and determine the date on which the rate case filing should be deemed complete, thereby commencing the 10-month statutory timeframe for rendering its final decision regarding the Company's rate request.

The additional information anticipated from the Company to complete its rate case filing is as follows.

1. GMG will file a conservation improvement plan (CIP), as required by Minn. Stat. § 216B.16.
2. GMG will file the financial statements of its parent company, Greater Minnesota Synergy, Inc., for the years ended 2002 and 2003 as part of the annual report to stockholders required to be filed in a rate case by Minn. Rules, Part 7825.4400.
3. In compliance with the Commission's March 31, 1995 Order in Docket No. G-999/CI-90-563, GMG will file responses to the following questions.
 - Should the "free" footage or service extension allowance include the majority of all new extensions with only the extremely long extensions requiring a customer contribution-in-aid-of-construction (CIAC)?
 - How should the local distribution company (LDC) determine the economic feasibility of service extension projects and whether the excess footage charges are collected?
 - Should the LDC's service extension policy be tariffed in number of feet without consideration of varying construction costs among projects, or should the allowance be tariffed as a total dollar amount per customer?
 - Is the LDC's extension charge refund policy appropriate?
 - Should customers be allowed to run their own service line from the street to the house (or use an independent contractor to do so) if it would be less expensive than having the utility construct the line?
 - Should the LDC be required to offer its customers financing for service extension charges as an alternative to paying extension charges in advance of construction?
4. Since the Company and its parent GMS share costs, the Company will demonstrate, in compliance with the Commission's March 1, 1995 Order in Docket No. G,E-999/CI-90-1008, any of the following alternatives:
 - it follows the Commission's preferred cost allocation principles; or
 - the non-regulated activities are insignificant; or
 - the cost allocation principles used produce results similar to the Commission's preferred allocation principles; or
 - the public interest is better served by another method.
5. The Company will file the Company's true-up proposal and demand entitlement filing, including the calculation of the design day and monthly Purchased Gas Adjustments from July 2003 forward, as required by the Commission's August 28, 2003 Order in Docket No. G-022/M-03-117.

6. The Company will file a discussion of the Commission policy statements issued by the Commission on June 14, 1982 regarding several rate case issues and, consistent with those policy statements, will include information outlined in the policy statement pertaining to a cost for which the Company seeks reimbursement.
7. The Company will provide supplementary testimony and exhibits to show compliance with the customer bill content requirements of Minn. Rules, Parts 7820.3500 and 7820.0200.
8. The Company will provide a legislative or “redlined” version of its proposed tariff sheets to aid parties in the review of the tariffs and testimony explaining any proposed changes.

Next Steps: The Commission’s Executive Secretary will assess GMG’s additional filing or filings based on the eight expectations listed above. Once the Executive Secretary determines that GMG has submitted the identified information, the Company’s filing will be deemed complete and the ten month rate case period will commence. At that time, the Commission will suspend the Company’s proposed rates, adopt interim rates and refer the matter to the Office of Administrative Hearings where, it is the expressed hope of all parties, the matter can proceed in settlement mode to public hearings in GMG’s service territory and thereafter to the Commission for review and approval.

ORDER

1. GMG’s rate case filing will be accepted as complete as of the date the Commission’s Executive Secretary determines that the Company has filed the items identified in this Order.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), or 1-800-627-3529 (MN relay service).