

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
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Commissioner

In the Matter of the Review of the 2005 Annual  
Automatic Adjustment of Charges for All  
Electric and Gas Utilities

ISSUE DATE: February 28, 2006

DOCKET NO. E,G-999/AA-05-1403

ORDER ACTING ON CERTAIN GAS  
UTILITIES' ANNUAL REPORTS AND  
TRUE-UP PROPOSALS, DEFERRING  
ACTION ON OTHERS, AND SETTING  
FURTHER REQUIREMENTS

**PROCEDURAL HISTORY**

**I. Introduction**

Under Minn. Rules 7825.2390 through 7825.2920, rate-regulated gas and electric utilities may adjust their rates between general rate cases to reflect fluctuations in the prices they pay for gas or electricity purchased for delivery to ratepayers, or for fuel purchased to generate electricity for ratepayers. These adjustments are called automatic adjustments, since they normally take effect without prior Commission approval.

The rules require utilities to make detailed filings supporting each automatic adjustment. They also require utilities to make comprehensive annual filings reporting on all automatic adjustments made during the twelve-month period between July 1 of the previous year and June 30 of the reporting year. And they require gas utilities to determine, by customer class, the difference between commodity and demand gas revenues and commodity-delivered and demand-delivered gas costs, and to file a proposed plan to true-up this difference over the coming twelve-month billing cycle.

At its meeting of February 2, 2006, the Commission took up the annual reports filed by all rate-regulated gas utilities for the 2004-2005 reporting year, deferring consideration of the electric utilities' annual reports to a later date.

**II. The Parties**

The natural gas utilities listed below were required to file, and did file, annual automatic adjustment reports and annual true-up filings for the 2003-2004 reporting year.

- Great Plains Natural Gas Company

- Greater Minnesota Gas, Inc.
- Interstate Power and Light Company – Gas Utility
- Aquila Networks – PNG, a division of Aquila, Inc.
- Aquila Networks – NMU, a division of Aquila, Inc.
- CenterPoint Energy, a division of CenterPoint Energy Resources Corp.
- Northern States Power Company d/b/a Xcel Energy – Gas Utility

The Department of Commerce (the Department) examined the companies’ filings in detail and filed both company-specific and broad-based policy comments and recommendations. Several companies revised or supplemented their filings based on the Department’s comments, and the Department revised and supplemented its recommendations based on the companies’ supplemental filings. There were no contested issues as to five of the gas utilities by the time the filings came before the Commission.

There were no contested issues ripe for decision as to the other two utilities, CenterPoint Energy and Xcel Energy. Discussions and exchanges of information were continuing between these companies and the Department, with all parties stating that additional time would be helpful for clarifying and resolving remaining issues.

## **FINDINGS AND CONCLUSIONS**

### **I. The Filing Requirements**

The automatic adjustment rules require that each annual report include at least the information set forth below.

#### ***Minn. Rules 7825.2800***

- The utility’s procurement policies
- A summary of actions taken to minimize costs, including conservation actions

#### ***Minn. Rules 7825.2810***

- Detailed information on all automatic adjustments made during each month of the reporting year for each customer class
- Total cost of gas delivered to customers during the reporting year
- Total revenues collected from customers for energy delivered
- Detailed information on all billing adjustments, supplier refunds, and any refunds credited to customers
- A list of all Purchased Gas Adjustment rule variances requested or in effect during the reporting year, together with an explanation of why they were necessary
- A list of changes in contract demand which occurred during the reporting year and the reasons for those changes
- Disclosure of the levels of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting year
- An explanation of deviations between gas cost recovery and actual gas costs during the reporting year

***Minn. Rules 7825.2820***

- An independent auditor's report evaluating the utility's accounting for automatic adjustments for the reporting year

***Minn. Rules 7825.2830***

- A brief statement of the utility's opinion on the impact of market forces on gas costs for the coming year

***Minn. Rules 7825.2700, subp. 7 and 7825.2910, subp. 4***

- A plan to true-up, over the course of the next twelve months, discrepancies between gas costs actually incurred for each customer class and revenues collected from each customer class.

**II. Action on the Gas Utilities' Filings**

The Department examined the gas utilities' annual automatic adjustment reports and their true-up proposals in detail, conducting discovery and initiating discussions with the utilities to clarify their filings. Several filings were clarified, revised, or supplemented in the course of these discussions. The Department's final recommendation was to accept and approve all annual automatic adjustment reports, as revised and supplemented, except CenterPoint's, and to accept and approve all true-up proposals, as revised and supplemented, except CenterPoint's and Xcel's.

The Commission concurs with the Department and accepts and approves the annual automatic adjustment reports of all gas utilities except CenterPoint, and the true-up proposals of all gas utilities except CenterPoint and Xcel. The accepted reports and filings demonstrate that the filing utilities are in compliance with the statutes, rules, and Commission Orders pertaining to purchased gas adjustments.

The Commission will defer action on CenterPoint's and Xcel's true-up filings, and on CenterPoint's annual adjustment report, to permit further analysis, clarification, and exchange of information between these companies and the Department.

**III. Future Automatic Adjustment Filings and Proceedings**

In compliance with its responsibilities under the Data Practices Act<sup>1</sup> and in accordance with its commitment to open processes, the Commission will again remind and require all gas utilities to supply specific justification for each item of information for which they claim trade secret status in future filings. Companies should take care to limit the designation "trade secret" to words, numbers, or phrases that qualify for protection under the Act and avoid marking related or surrounding material "trade secret."

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<sup>1</sup> Minn. Stat. §§ 13.01 *et seq.*; see also the Commission's Revised Procedures for Handling Trade Secret and Privileged Data, September 1, 1999.

Finally, the Commission appreciates the Department's thorough, comprehensive, and invaluable report on the annual automatic adjustment filings and asks the agency to continue providing the same kinds of information in next year's report.

The Commission would also ask the Department to continue its ongoing investigation into utility revenues from pipeline capacity releases and corresponding refunds to customers. Similarly, the Commission would request that next year's report again include a comparative evaluation and report on gas utilities' financial and physical hedging activities. These activities are relatively new devices for stabilizing and controlling gas costs, and informed regulatory oversight is critical.

Action on individual gas utilities' filings and true-up proposals is set forth in the ordering paragraphs.

### **ORDER**

1. The Commission hereby accepts the fiscal year 2005 annual automatic adjustment reports as filed, revised, and supplemented by all of the gas utilities except CenterPoint Energy as being in general compliance with Minn. Rules 7825.2390 through 7825.2920.
2. All gas utilities shall provide a specific justification for each piece of information for which the designation of trade secret is claimed in future annual reports and true-up filings. Companies shall limit the designation "trade secret" to words, numbers, or phrases that are actually trade secret and shall not designate entire paragraphs or pages which contain the trade secret words, numbers, or phrases.
3. The Department of Commerce is asked to include the same Commission-requested information in its 2006 Report as it included in this Report.
4. The Department of Commerce is asked to continue its investigation into utility revenues from pipeline capacity releases and corresponding refunds to customers.
5. The Department of Commerce is asked to include in next year's report a comparative evaluation and report on the natural gas utilities' financial and physical hedging activities.
6. The Commission defers action on the annual automatic adjustment report of CenterPoint Energy and on the true-up filings of CenterPoint Energy and Xcel Energy to permit further fact-finding and discussion between these companies and the Department of Commerce.
7. The Commission hereby accepts the true-up proposal filed by Greater Minnesota Gas, Inc. , in docket G-022/AA-05-1421, and authorizes the company to implement its true-up, as shown in attachment G5 of the Department's December 12, 2005 review.
8. The Commission hereby accepts the true-up proposals filed by Great Plains Natural Gas Company for its North and South districts, in docket G-004/AA-05-1447, accepts the company's December 27, 2005 response to the questions of the Department of Commerce, and authorizes the company to implement its true-up.

9. The Commission hereby accepts the true-up proposal filed by Interstate Power and Light Company – Gas Utility, in docket G-001/AA-05-1420, and authorizes the company to implement its true-up as shown in attachment G7 of the Department’s December 12, 2005 review.
10. The Commission hereby accepts the true-up proposal filed by Aquila Networks – PNG for its Northern, Great Lakes, and Viking systems, in docket G-011/AA-05-1417; authorizes the company to implement its true-ups, as shown in attachment G8 of the Department’s December 12, 2005 review; and accepts the company’s explanation of its five-month, fixed-price gas purchases for its Northern system and the measures it will take to mitigate high gas costs in the future.
11. The Commission hereby accepts the true-up proposal filed by Aquila-NMU, in docket G-007/AA-05-1418, and authorizes the company to implement its true-up, as shown in attachment G9 of the Department’s December 12, 2005 review.
12. Within ten days of resolution of its differences with Northern Natural Gas Company regarding metering and billing issues, Aquila – NMU shall make a compliance filing providing the details of the resolution and its ratepayer impacts.
13. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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