

Minnesota Attorney General: Administrative Rules Proceedings

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Attorney General

January 4, 1978

Larry Salustro
Special Assistant
Attorney General

296-4692

Michael D. Miller
Special Assistant
Attorney General

Minn. Rules PSC 390-395 (Automatic Adjustments of Fuel Charges)

Enclosed herewith are the corrected rules you have submitted for approval. These rules have been approved by this office and filed with the Secretary of State.

MBM:mb

Enclosure

ADMIN 1000

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : Michael B. Miller
Special Assistant Attorney General
(G19-K Administration)

DATE: November 25, 1977

FROM : Larry Salustro
Special Assistant Attorney General
(American Center Building - PSC)

PHONE: 296-0410

SUBJECT: Minn. Rules PSC 390-395 (Automatic Adjustments of Fuel Charges)

On reading the Rules as published in the State Register on October 24, 1977, we discovered two typographical errors which need to be corrected. Minn. Rule PSC 395 B. should read as follows (the typographically omitted line is shown here by underscoring):

> B. Adjustments made pursuant to automatic adjustment provisions in effect on the effective date of these Rules which may result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall be frozen by the utility at the level of charges in effect at the effective date of PSC 390 to 395. The existing level of any such automatic adjustments shall, on the effective date of PSC 390 to 395, be submitted to the Department of Public Service within 30 days.

Apparently the typist skipped from "level of" to "level of" in the next line.

The Rule as corrected here is identical to the Rule as originally proposed except for the substitution of "in effect on the effective date of these Rules" for "in effect as of December 31, 1974."

Minn. Rule PSC 390 H. should read as follows:

> H. "Cost of Fossil Fuel" is the current period withdrawals from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B utilities. All electric public utilities shall use this definition regardless of class.

The rule as published makes no sense and must be consistent with PSC 390 J.

I have enclosed five copies of the entire set of Rules with the errors corrected and ask that you file these with the Secretary of State. We will then publish the corrected Minn. Rule PSC 390 H. and 395 B. in the State Register. (Since the hearing was held in January of 1975, they were not reviewed by the Office of Hearing Examiners).

I will resubmit to you the entire documentation for these Rules if you believe it necessary.

My apologies for the inconvenience.

LS/sw

MINNESOTA RULES AND REGULATIONS

RELATIVE TO THE AUTOMATIC ADJUSTMENT

OF CHARGES FOR PUBLIC UTILITY SERVICE

FOR GAS AND ELECTRIC REGULATION

CHAPTER ELEVEN - PSC 390-395

MINNESOTA PUBLIC SERVICE COMMISSION

DEPARTMENT OF PUBLIC SERVICE

PSC 390 Definitions

For the purpose of rules 390-395, the following definitions shall apply:

A. "Annual Sales Volume" is the sum of the Mcf or Ccf of gas delivered during the most recent 12 months of the 14 month period preceding a change in the city gate rate or end of the heating season for which actual data is available.

B. "Annual Demand Sales Volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding 3 year period, normalized for weather. Annual Demand sales volume shall include interruptible sales to the extent that demand cost is incurred to service interruptible customers.

C. "Base Cost" is the cost of fuel consumed in the manufacture of gas or generation of electricity and purchased gas or purchased power in the base period expressed as a cost per kilowatt hour sold or cost per Mcf or Ccf sold.

D. "Base Period" is the 12 month period during which the automatic adjustment of charges is set at zero.

E. "City Gate Rate" is the demand or commodity rate charged a distribution gas utility by its supplier. It refers to the cost of gas at the point at which the distribution utility takes title to the gas.

F. "Cost of Energy Purchased" is the cost of purchased power and net interchange defined by the Minnesota Uniform System of Accounts - Class A and B electric utilities, Account 555 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All electric public utilities shall use this definition regardless of class.

G. "Cost of Fuel Consumed in the Generation of Electricity" is the cost of fossil and nuclear fuel.

H. "Cost of Fossil Fuel" is the current period withdrawals from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B utilities. All electric public utilities shall use this definition regardless of class.

I. "Cost of Nuclear Fuel" is the current period charges and credits to Account 518, of the Minnesota Uniform System of Accounts - Class A and B electric utilities excluding any expenses for the cost of fossil fuel. All electric public utilities shall use this definition regardless of class.

J. "Cost of Fuel Consumed in the Manufacture of Gas" is the withdrawals, during the heating season, from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities. All gas public utilities shall use this definition regardless of class.

K. "Cost of Purchased Gas" is the cost of gas as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities, Account 804, 808 and 809 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All gas public utilities shall use this definition regardless of class.

L. "Current Period" is the most recent two month moving average used in computing an automatic adjustment of charges. Upon approval of the Commission, a self billing utility may use a longer period, not to exceed 12 months, provided that the provision contains a settlement procedure. All electric utilities shall use this definition.

M. "Heating Season" is the period from October 1 to April 30.

N. "Kilowatt-Hour Sales" is the kilowatt-hour delivered during the current or base period less interchange sales. This is the divisor used to obtain current period cost and base period cost per Kwh in PSC 392(b).

O. "Prime Interest Rate" means the average of the daily prime lending rates offered to preferred customers at the largest bank in the Ninth Federal Reserve District during the period. The largest bank is that bank with the greatest total outstanding deposits as of the end of the calendar year preceding the notice of change in rates.

P. "Public Utilities" is as defined by Section 2, Subdivision 4 of the Minnesota Public Utilities Act.

PSC 391 Applicability and Types of Automatic Adjustment of Charges

A. The Commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided such provisions conform to PSC 392-395.

B. PSC 390-395 shall be applicable to all classes of public utilities.

C. Provisions for automatic adjustment of charges shall encompass:

1. Changes in cost resulting from changes in the federally regulated wholesale rate for energy purchased and changes in the cost of fuel consumed in the generation of electricity. This provision is entitled electric energy adjustment.

2. Changes in cost resulting from changes in the federally regulated wholesale rate for purchased gas and changes in the cost of fuel consumed in the manufacture of gas. This provision is entitled purchased gas adjustment.

PSC 392 Electric Energy Adjustment

The computations of the automatic adjustment to charges shall conform to the procedures set forth below:

A. The amount of the billing period adjustment to charges shall be determined by extending Kwh of sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313.

B. The adjustment per Kwh shall be the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base cost per Kwh.

C. The adjustment to charges shall be made in the next complete billing period succeeding the determination of the adjustment per Kwh provided the adjustment has been filed as defined by PSC 394(b). The adjustment factor shall be calculated monthly. Except, upon Commission approval, a self billing utility may calculate the adjustment less frequently but at least annually and must provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount shall be rounded such that the projected recovery is within 2% of the change in total cost.

PSC 393 Purchase Gas Adjustment Provision

The computation of the automatic adjustment to charges shall conform to the procedures set forth below:

A. The amount of the billing period adjustment to charges shall be determined by extending Mcf or Ccf sales in the billing period by an adjustment per Mcf or Ccf. The adjustment per Mcf or Ccf or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313.

B. The adjustment per Mcf or Ccf is the sum of the commodity adjustment, demand adjustment and manufactured gas adjustment as computed below:

1. The commodity adjustment is the difference between the commodity cost which results from a change in the city gate rate and the commodity base cost. To properly reflect adjustment per Mcf or Ccf billed, the divisor for a particular class of customer must include total sales volume delivered to that class of customer. The adjustment shall be applied

to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by PSC 394(b).

2. The demand adjustment is the difference between the annual demand cost which results from a change in the city gate rate and the demand base cost. In the event the demand city gate rate does not change the demand adjustment shall be recalculated for each 12 month period from the date of the last change. The adjustment shall be computed on the basis of annual demand sales volume and applied to billings after the effective date of the demand rate change provided the adjustment has been filed as defined by PSC 394(b).

3. The manufactured gas adjustment is the difference between the cost of propane and other fuel consumed in the manufacture of gas during the heating season and the manufactured gas base cost. The manufactured gas adjustment shall be computed annually for the heating season ending April 30 of each year on the basis of firm annual sales volume adjusted to the extent manufactured gas is used to serve interruptible customers. The cost of manufactured gas shall be applied to interruptible customers. The adjustment shall be applied to billings during the next 12 months period commencing on June 1 of each year provided the adjustment has been filed as defined by PSC 394(b).

C. Refunds and interest thereon received from the suppliers of purchased gas which are attributable to the cost of gas previously sold shall be refunded by credits to bills or check within a period not to exceed 12 months. The utility shall add interest to the unrefunded balance at the prime interest rate.

PSC 394 Filing Requirements and Approvals Electric Energy and Purchase Gas Adjustments

A. All public utilities shall file annually on October 31 of each year, the procurement policies for selecting sources of fuel and energy purchased and dispatching policies, if applicable, and a summary of actions taken to minimize cost.

B. Whenever a public utility changes its automatic adjustment of charges, the utility shall prior to the effective date, file the following:

1. A summary of the computation of the adjustment.
2. An explanation of significant changes between the base cost and current cost. Changes for electric utilities shall be quantified as to price, mix, thermal efficiency and distribution loss. Changes for gas utilities shall be quantified as to price and mix changes.
3. A computation of standard cost for the current reporting period, if available. The standard cost for this computation may be either the planned or budgeted cost of fuel or simulation of the cost of fuel under normal operating and purchasing limits for the adjustment period or current period.

C. Automatic adjustment of charges shall be provisionally approved and may be placed into effect without Commission action, but subject to the conditions specified in PSC 394(d) and (e).

D. Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the Commission provided that:

1. Such order is served within 90 days after the receipt of the filing defined in rule PSC 394(b) or at the end of the next major rate proceeding, which ever is later.
2. The amount of the error is greater than 5% of the corrected adjustment charge.

E. The Commission may upon complaint or upon its own motion, after appropriate investigation, notice and hearing, issue an order to fix at current levels, discontinue or modify an automatic adjustment provision for an individual utility.

PSC 395 Implementation

A. Existing automatic adjustment provisions in effect on the effective date of these Rules which will not result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall continue in effect until the Commission upon its own motion or upon complaint, after appropriate notice and hearing, shall order otherwise.

B. Adjustments made pursuant to automatic adjustment provisions in effect on the effective date of these Rules which may result in adjustment amounts materially greater than those determined by

PSC 390 to 395 shall be frozen by the utility at the level of charges in effect at the effective date of PSC 390 to 395. The existing level of any such automatic adjustments shall, on the effective date of PSC 390 to 395, be submitted to the Department of Public Service within 30 days.

C. When a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal shall be deemed a change in rates and reviewed according to Commission Rules and practices relating to utility rate changes.

D. If existing automatic adjustments of charges are continued under the provision of PSC 395(a) then the filing requirements of PSC 394(b) shall apply.

APPROVED AS TO FORM AND LEGALITY
JAN 3 1978 19
WARREN SPANNAUS, ATTORNEY GENERAL
By: Robert J. Miller
ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JAN 23 1978 elm
Joan Anderson Growe
Secretary of State
1:30 pm

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Attorney General

Larry Salustro
Special Assistant
Attorney General

November 16, 1977

Michael B. Miller
Special Assistant
Attorney General

296-4692

MINN. RULES PSC 390-395 (Automatic Adjustments of Fuel Charges)

As you requested, I am returning these rules to you without examination.

MBM:mb

Enclosure

350

Larry Salustro
Special Assistant Attorney General
Public Service

10/4/77

- PSC 390-395

ADMIN 1000

STATE OF MINNESOTA

DEPARTMENT Public Service

Office Memorandum

TO : Michael B. Miller
Special Assistant Attorney General

DATE: 8/18/77

FROM : Larry Salustro
Special Assistant Attorney General

PHONE: 6030

SUBJECT: Adoption of New Rules of the Minnesota Public Service Commission Relating to Automatic Adjustment of Charges by Gas and Electric Public Utilities -- Docket No. A-8117-11

Enclosed for review are new rules adopted by the Public Service Commission relating to Gas and Electric Utilities' Automatic Adjustment of Charges. The following documents are transmitted herewith:

1. Rules as Adopted (5 copies)

2. Rules as Proposed (3 copies)

3. Original Transcript of Public Hearing held 1/28/75 with Original Exhibits #1 through #10.

4. a. Certificate of Commission's Authorizing Resolution (3 copies)
   b. Order for Hearing (Original & 2 copies)
   c. Notice of Hearing (Original & 2 copies)
   d. Affidavit of Acquisition of Mailing List (Original & 2 copies)
   e. Secretary of State's Certificate (Original & 2 copies)
   f. Affidavit of Mailing with Mailing List (Original & 2 copies, only one copy of mailing list is enclosed)
   g. Statement of Need (Original)
   h. Findings of Fact (Original & 2 copies)
   i. Certificate of Commission's Adoption of Rules Resolution (Original & 2 copies)
   j. Written Statements (Original)
   k. Resolution Approving Rules (Original & 2 copies)
   l. Order Adopting Rules (Original & 2 copies)
   m. Statement of Compliance (Original & 2 copies)

As you will note, only one copy of the statement of need, mailing list and written statements are enclosed because of voluminosity. If you need two more copies, please give me a call and we will arrange to have these documents picked up for copying.

Please note that this is <u>not</u> part of our earlier filing with you under docket number A-8117-16.

It is our understanding that all of the original documents transmitted herewith will be returned after your review.

LS:ss

STATEMENT OF COMPLIANCE WITH
MANUAL OF RULE MAKING PROCEDURES

In the Matter of Proposed Rules of
Minnesota Public Service Commission
Relating to Accounting and Financial
Regulation of Gas and Electric Public
Utilities under the Jurisdiction of
the Department of Public Service.

Docket No. A-8117-11

Minn. Rules PSC 390-395

I, Larry Salustro, do hereby declare that I have examined the proposed rules relating to Automatic Adjustment of Charges for Public Utility Service, Minn. Rules PSC 390-395, and all related documents; and that, based on them and my personal familiarity with the applicable procedures, the Manual of Rule Making Procedures has been followed.

LARRY SALUSTRO
Special Assistant
Attorney General

Minnesota Public Service Commission

Dated: 8/18/77

BEFORE THE MINNESOTA PUBLIC SERVICE COMMISSION

COMMISSION ORIGINAL

Karl F. Rolvaag	Chairman	Approved of Record
Arlen I. Erdahl	Commissioner	8/17/1977
Richard J. Parish	Commissioner	
Katherine E. Sasseville	Commissioner	
Juanita R. Satterlee	Commissioner	Secretary

In the Matter of Proposed Rules of Minnesota Public Service Commission Relating to Accounting and Financial Regulation of Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

DOCKET NO. A-8117-11

MINN. RULES PSC 390-395

ORDER ADOPTING RULES

The above-entitled matter came on for hearing before the Public Service Commission of the State of Minnesota on the 28th day of January, 1975, at 10:00 a.m. in the Federal Courts Building (Courtroom No. 2), St. Paul, Minnesota, after proper notice as required by Minn. Stat. § 15.0412 (1974) was served upon all persons, associations and other interested groups registered with the Secretary of State for that purpose.

After affording interested persons an opportunity to present written and oral data, statements and arguments, having heard all of the testimony, having considered all of the evidence adduced and upon the records, files and proceedings herein, and applicable statutory standards or criteria, and having confirmed the need for the above-captioned rules.

NOW, THEREFORE, IT IS ORDERED that these rules identified as Minn. Rules PSC 390 through 395 are adopted this 17th day of August, 1977, pursuant to authority vested in me by Minn. Stat. § 15.0412 (1974).

BY ORDER OF THE COMMISSION

Leo J. Ambrose
Secretary

(S E A L)

RESOLUTION

A-8117-11

It was voted to approve and adopt the rules of the Minnesota Public Service Commission relating to gas and electric automatic adjustment of charges and identified as Minn. Rules PSC 390-395 pursuant to authority vested in the Commission under the provisions of Minn. Stat. § 15.0412 (1974); and that the Secretary of the Commission is hereby authorized and directed to transmit the aforesaid rules and amendments to the Office of the Attorney General for approval.

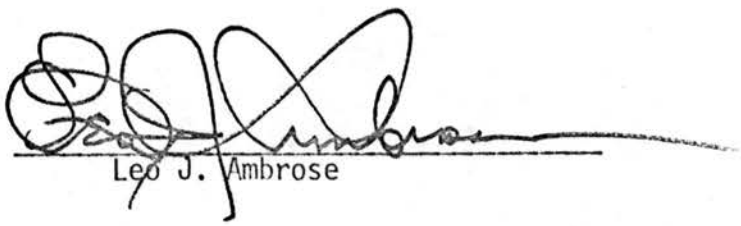
CERTIFICATE OF COMMISSION'S

ADOPTION OF RULES RESOLUTION

I, Leo J. Ambrose, do hereby certify that I am secretary of the Public Service Commission, a Commission duly authorized under the laws of the State of Minnesota, and that the following is a true, complete and correct copy of a resolution adopted at a meeting of the Public Service Commission duly and properly called and held on the 17th day of August, 1977; that a quorum was present at said meeting; that a majority of those present voted for the resolution; that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

A-8117-11 It was voted to approve and adopt the rules of the Minnesota Public Service Commission relating to gas and electric automatic adjustment of charges and identified as Minn. Rules PSC 390-395 pursuant to authority vested in the Commission under the provisions of Minn. Stat. § 15.0412 (1974); and that the Secretary of the Commission is hereby authorized and directed to transmit the aforesaid rules and amendments to the Office of the Attorney General for approval.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 17th day of August, 1977.



Leo J. Ambrose

BEFORE THE MINNESOTA PUBLIC SERVICE COMMISSION

Karl F. Rolvaag	Chairman	Approved of Record
Arlen I. Erdahl	Commissioner	
Richard J. Parish	Commissioner	6/15 1977
Katherine E. Sasseville	Commissioner	
Juanita R. Satterlee	Commissioner	
		Secretary

In the Matter of Proposed Rules of Minnesota Public Service Commission Relating to Accounting and Financial Regulation of Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

DOCKET NO. A-8117-11

MINN. RULES PSC 390-395

FINDINGS, CONCLUSIONS AND ORDER FOR AUTOMATIC ADJUSTMENT OF CHARGES FOR PUBLIC UTILITY SERVICE

The above captioned matter as it relates to the proposed Minnesota Public Service Commission Rules concerning the Automatic Adjustment of Charges for Public Utility Service for Gas and Electric Regulation came on for hearing before the Commission, Ronald L. Anderson, Robert W. Carlson, Arlen I. Erdahl, and Richard W. Session presiding on the 28th day of January, 1975, at 10:00 a.m. in the Federal Courts Building (Courtroom No. 2) St. Paul, Minnesota, after proper notice as required by Minn. Stat. § 15.0412 (1974) had been served upon all persons registered with the Secretary of State for that purpose.

After affording interested persons an opportunity to present written and oral data, statements and arguments, having heard all of the testimony, having considered all of the evidence adduced and upon the records, files and proceedings herein, and applicable statutory standards of criteria, and having confirmed the need for the above captioned rules and the reasonableness thereof, the Commission makes the following:

FINDINGS OF FACT

The statutory authority to adopt rules on this subject is set out in the Minnesota Public Utilities Act, Minnesota Laws, 1974, Chapter 429, codifies as Minn. Stat. § 216B.16, subd. 7 (1976):

> Notwithstanding any other provision of Laws 1974, Chapter 429, the Commission may permit a public utility to file rate schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to changes in federally regulated wholesale rates for energy delivered through interstate facilities or fuel used in generation of electricity or the manufacture of gas.

In addition, general rule-making authority is delegated to the Commission in that same Act, Minn. Stat. § 216B.08 (1976).

The need for these rules arises from the following:

1. Certain energy costs are largely outside management control and as such, the use of automatic adjustment provisions generally reduces the need for a costly general rate case hearing.

2. The cost of fuel and purchased energy constitutes a significant portion of a utility's operating cost and a consumer's bill and, consequently, adequate review of automatic adjustment to charges are necessary to protect the consumer and utility from improper implementation of an automatic adjustment provision and to keep the Commission advised of the current status of adjustments to charges.

In general, the Commission finds these reasons for the regulation of automatic adjustment of charges effectuate the overall legislative intent of the Act, which is " . . . to provide the retail consumers of natural and electric service in this state with adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities . . ." Minn. Stat. § 216B.01

Based upon the overall need for rules on this subject the Utilities Division of the Department of Public Service drafted rules PSC 390 to 395 for the Commission and participated in the hearing.

These rules are intended to apply to investor-owned and co-ooperatively-owned utilities as provided in Minn. Stat. § 216B.02, subd. 4. These affected utilities would be required to:

1. File certain standard information as described in PSC 394 and 395(b) and (d);

2. Determine, as described in PSC 395(a) and (b), if existing automatic adjustment provisions will result in an adjustment which is materially greater than those provided for in PSC 392 or PSC 393. Any provision which results in an amount which is materially greater than those provided in PSC 392 or 393 shall be terminated and the amount of adjustment fixed at the level in effect upon the effective date of the Act. Those provisions which do not

result in a material difference may be continued until such time as a complaint is filed, the Commission initiates an investigation, or a utility files notice of a change in rates. (Minn. Stat. § 216B.16).

3. Obtain approval of newly proposed, revised, or discontinued electric energy or purchased gas adjustment provisions as described in PSC 395(c) and conform to the procedures described in PSC 392 and PSC 393.

These rules for the regulation of automatic adjustment of charges for public utility service were developed to assist the Commission in meeting the following regulatory objectives:

1. To provide a means for recovery/refunding of non-controllable cost without necessitating costly regulatory hearings;

2. To match the recovery/refund of changes in cost during a period with the consumers that received the service during the period;

3. To provide consumers with a uniform application of automatic adjustment provisions;

4. To provide an effective standard reporting and monitoring system for automatic adjustments of charges which alerts the Commission to current adjustment levels, detects errors and provides information on the effectiveness of the rules; and

5. To provide for an orderly implementation and transition period for the rules.

In order to meet these regulatory objectives the Commission conducted an investigation of the regulatory approaches of the Federal Power Commission (FPC). the Rural Electric Association (REA) and the Public Service Commissions of Wisconsin, North Dakota, Iowa, Michigan and Georgia. In addition the Commission considered articles from the Public Utilities Fortnightly pertaining to electric energy and purchase gas adjustments, information provided by the National Association of Regulatory Utility Commissioners (NARUC), transcripts

on the Minnesota Public Utilities Act, H.F. 1835, and typical utility electric energy and purchased gas adjustments in effect in selected Minnesota utilities and utilities in the states of Wisconsin, Iowa, Michigan, North Dakota and Georgia.

The results of the investigation are summarized below:

1. The Public Service Commissions included in the investigation and the Federal Power Commission have recognized the need for automatic energy adjustment provisions.

2. The cost of energy and fuel constitute a significant portion of a utility's operating cost and a consumer's bill.

3. The Public Service Commissions of Wisconsin, Iowa, Michigan and North Dakota and the Federal Power Commission require that the formula or method for computing the automatic adjustment of charges must be approved by the Commission. However, once the formula or method of computing such adjustment is approved, the adjustment, computed using the approved method, may be applied to billings without specific Commission approval.

4. The utilities are required to file notification of such adjustment and the Commissions maintain the right to review adjustments for reasonableness.

5. The Federal Power Commission has promulgated rules and regulations pertaining to electric energy and purchase gas adjustment provisions. The Rural Electric Association has also developed a model purchased power adjustment provision and has recommended the model to its members.

6. The Public Service Commissions of the states reviewed have not promulgated rules and regulations pertaining to electric energy and purchased gas adjustments. These states evaluate the appropriateness of such provisions during a general rate hearing. However, sufficient experience has been gained that the provisions are becoming standardized. For example, Wisconsin has developed a standard purchased power clause for municipal utilities and has also developed standard reporting requirements for all utilities. Iowa is currently conducting a study to assess the feasibility of standard electric energy provisions.

7. A review of tape transcripts of the Minnesota Public Utilities Act, H.F. 1835, revealed proposals for including cost other than the cost of fuel and energy in an automatic adjustment provision. These other costs were not specifically included in the bill and will be discussed more fully later.

Upon review and analysis of the facts revealed in the investigation, the proposed rules were developed to satisfy the regulatory objectives stated above.

DISCUSSION OF RULES AND RELEVANT FACTS RELATING TO EACH

PSC 390 DEFINITIONS

PSC 390, Definitions, was proposed to eliminate excessive wording and to clarify the wording of PSC 391 to 395. PSC 390 sets forth the meaning of various terms which are used repeatedly throughout the rules and are keyed to an understanding of the rules.

Testimony relative to PSC 390(a) and (b) will be discussed together. As proposed, PSC 390(a) and (b) read as follows:

(a) "Annual Sales Volume" is the sum of the Mcf or Ccf of gas dellivered during the 12 months preceding a change in the city gate rate or the end of the hearing season.

(b) "Annual Demand Sales Volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding 3-year period, normalized for weather.

A representative of Minnesota Gas Company suggested by written comment (received February 18, 1975) that the definition be deleted and replaced with the following definition:

"Annual Demand Sales Volume" is the firm annual sales volume during the "Based Period," normalized for weather.

In support of its amendment, the company argued that "Annual Demand Sales Volume" should be the annual firm gas sales volume, not the total gas sales volume, since the later includes the annual interruptible gas sales volume. The significance of this distinction is that a gas distributor provides for peak day capacity to serve the fuel requirements of its firm gas customers by the purchase of contract demand from the interstate pipeline supplier and the utilization of supplemental peak sharing facilities. This results in a situation where incidental volumes of gas may be available

on a day-to-day basis to serve interruptible customers. Interruptible customers have the capability of burning natural gas and an alternate fuel when natural gas deliveries are interrupted by the gas distributor. Therefore, the company concluded that only increase or decrease in demand costs resulting from a change in the city gate rate should be related to the "Annual Demand Sales Volume" since contract demand is purchased by the gas distributor only to serve firm gas customers.

Further, the company argued that the definition of "Annual Demand Sales Volume" as the annual sales volume adjusted by an average percentage change in sales computed over the preceding three year period, normalized by weather, is simply going to lead to confusion and possible controversy in its application. The company stated that the use of the "Base Period" sales normalized for weather will eliminate such problems since an updated base period normalized for weather will be established each time as a general rate application is processed and new base rates established.

A spokesman for Northern States Power Company suggested by oral comment (Tr. 110) and by written comment (received February 18, 1975) that the definition be deleted and replaced with the following definition:

> "Annual Demand Sales Volume" is the annual firm sales volume delivered the 12 months preceding a change in the city gate rate or the end of the heating season, normalized for weather.

In support of its amendment, the company argued that the annual demand sales volume definition as used in PSC 393(b)(2) refers to an adjustment for a change in the monthly demand portion of a pipeline rate. Since utilities purchase contract demand for firm sales, firm sales should be used for the calculation. The company also stated that sales for the recent 12 months, instead of a 3-year period, reflects the best information available for adjusting the demand charge portion of the purchased gas adjustment.

In response to the amendments suggested by the companies, the Commission staff stated that the annual demand sales volume should be adjusted for growth in order to minimize over and under recovery. At least three years' data is necessary to measure growth. PSC 390(b) allows the utility to weigh the data by allowing normalization for weather. Although the demand cost is incurred primarily to serve firm customers, the rule should provide

the opportunity to spread the change in demand cost over a wider basis since it was conceivable that demand cost may be incurred to service interruptible customers. Therefore, it was proposed that PSC 390(b) be amended to read as follows:

> "Annual Demand Sales Volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding three year period, normalized for weather. Annual Demand Sales Volume shall include interruptible sales to the extent that demand cost is incurred to service interruptible customers.

The Commission finds that the natural gas that a utility purchases from its pipeline supplier is priced under the pipeline's FPC regulated two-part rate schedule. The demand component of the pipeline rate is a monthly fixed charge per Mcf of gas that the utility has the contractual right to receive 365 days per year (not considering curtailments). This payment gives the retail distributor assurance of its basic gas supply. The commodity portion of the two-part rate is the charge per Mcf for gas actually delivered from the pipeline to the retail distributor at the town border station (city gate). The wholesale price of either or both of these components of the rate may change pursuant to FPC's regulation. Changes in these pipeline rates will occur (1) when the pipeline files a general rate case that has been either allowed to become effective without suspension or has been suspended and placed into effect under gond pursuant to the provisions of the Natural Gas Act, 15 U.S.C. § 717c(e); or (2) the pipeline automatically passes through to its customers (i.e., the retail utility) the increases in its costs that qualify under its tariff for this treatment. PSC 393(b)(1) and (2) provide that retail rates will be adjusted in the next billing served following the change in pipeline rates. This properly adjusts rates up or down to track as closely as possible these changes, provided the utility has properly filed its explanation of the change with this Commission.

There may be some ambiguity and potential for misunderstanding in PSC 390(b) as proposed. The annual demand sales volume definition as used in PSC 393(b)(2) refers to an adjustment for a change in the monthly demand of a pipeline rate. Utilities usually purchase contract demand for firm sales and not for interruptible sales. However, it is conceivable that demand cost may be incurred to service interruptible customers. The Commission amends PSC 390(b) to reflect this possibility.

The annual demand sales volume should be adjusted for growth in order to minimize over and under recovery. The companies involved in this discussion failed to demonstrate why three years' data is inappropriate for the purpose of PSC 390(b) and the Commission finds that at least three years' data is necessary to measure growth. PSC 390(b) allows a utility to weigh this data by allowing for normalization for weather.

Based upon the above discussion, the Commission amends PSC 390(b) to read as follows:

> "Annual Demand Sales Volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding 3 year period, normalized for weather. Annual Demand Sales Volume shall include interruptible sales to the extent that demand cost is incurred to service interruptible customers.

This rule is reasonable and necessary.

As proposed, PSC 390(c) reads as follows:

> "Base Cost" is the cost of fuel consumed in the manufacture of gas or generation of electricity and purchased gas or purchased power in the base period expressed as cost per kilowatt-hours or cost per Mcf or Ccf.

An amendment was proposed to clarify that base cost should be expressed as kilowatt-hour sold or as Mcf or Ccf sold. Clarification is necessary and the Commission amends PSC 390(c) to read as follows:

> "Base Cost" is the cost of fuel consumed in the manufacture of gas or generation of electricity and purchased gas or purchased power in the base period expressed as a cost per kilowatt-hour sold or cost per Mcf or Ccf sold.

This rule is reasonable and necessary.

As proposed, PSC 390(d) reads as follows:

> "Base Period" is the year when the automatic adjustment to charges was set at zero.

A spokesman for Minnesota Power and Light Company suggested at the hearing that PSC 390(d) be amended by changing the word "year" to "12 month period" (Tr. 130). In support of its amendment, the company argued that the change was necessary to reflect the fact that the base period is not necessarily a calendar year. The company is correct that the period is not necessarily a calendar year.

Based upon the above comments, the Commission amends PSC 390(d) to read as follows:

> "Base Period" is the 12 month period during which the automatic adjustment of charges is set at zero.

This rule is reasonable and necessary.

As proposed, PSC 390(e) reads as follows:

> "City Gate Rate" is the demand or commodity rate charged a distribution gas utility by its supplier. It refers to the cost of gas at the point at which the distribution utility takes title to the gas.

No comments were received from interested persons either during or subsequent to the hearing regarding the above-mentioned definition.

This rule is reasonable and necessary.

As proposed, PSC 390(f) reads as follows:

> "Cost of Energy Purchased" is the cost of purchased power and net interchange defined by the Minnesota Uniform System of Accounts - Class A and B electric utilities, Account 555 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All public utilities shall use this definition regardless of class.

A representative of Peoples Natural Gas Company suggested at the hearing (Tr. 133) that the last sentence of PSC 390(f) be amended to read as follows:

> All <u>electric</u> utilities shall use this definition, regardless of class.

In support of the change the company stated that the purpose of the change is to clarify the fact that this definition (PSC 390(f)) applies only to electric utilities.

Based upon the above comments, the Commission amends PSC 390(f) to read as follows:

> "Cost of Energy Purchased" is the cost of purchased power and net interchange defined by the Minnesota Uniform System of Accounts - Class A and B electric utilities, Account 555 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All electric public utilities shall use this definition regardless of class.

This rule is reasonable and necessary.

As proposed, PSC 390(g)) reads as follows:

> "Cost of Fuel Consumed in the Generation of Electricity" is the cost of fossil and nuclear fuel.

No comments were received from interested persons either during or subsequent to the hearing regarding the above mentioned definition.

This rule is reasonable and necessary.

As proposed, PSC 390(h) and (i) read as follows:

> (h) "Cost of Fossil Fuel" is the current period withdrawals from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B utilities, <u>attributable to electrical generating plants which are included in the base period cost calculation</u>. All public utilities shall use this definition regardless of class.

(i) "Cost of Nuclear Fuel" is the current period charges to Account 518 of the Minnesota Uniform System of Accounts -Class A and B utilities, attributable to electrical generating plants which are included in the base period cost calculation. All public utilities shall use this definition regardless of class.

In support of its amendments, the company argued that the base cost used in the fuel adjustment clause is appropriate only when it is limited to electrical energy generated by operating plants whose capital costs were included in the rate base when the current rate was established. The company argued that if a utility adds a plant which has high capital costs and low fuel costs (a characteristic of many modern plants such as nuclear plants) and characteristics of this plant were not taken into account in the last rate determination, it would be unfair to the utility to reflect the benefits of the low fuel cost through the automatic adjustment clause without providing in the rate a fair return on the high capital costs of a new plant.

The Commission does not agree with the company's proposed amendments to PSC 390(h) and PSC 390(i). The Commission finds that by limiting a utility's plants to those included in the computation of the base period fuel cost, the fuel cost savings which may result from newly constructed plants would not be passed through to the consumer. The company argues in the case of new plant construction that these fuel cost savings could be used to offset higher capital costs. However, the Commission finds that the company's proposed use of fuel cost savings to offset higher capital costs defeats the objective of the automatic adjustment provision. The Commission finds that the objective of the automatic adjustment provision is to recover changes in the cost of fuel and energy, and not to provide an offset for increased capital cost.

The Commission does agree with Peoples Natural Gas Company's suggestions that PSC 390(h) and (i) be amended to clarify the fact that these definitions apply only to electric utilities.

The Commission also finds that PSC 390(i) should be amended in order to clarify that both debits and credits to Account 518 are to be included in the cost computation.

Based upon the above stated findings relating to PSC 390(h) and (i), the Commission amends PSC 390(h) and (i) to read as follows:

(h) "Cost of Fossil Fuel" is the current period withdrawals from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B utilities. All electric public utilities shall use this definition regardless of class.

(i) "Cost of Nuclear Fuel" is the current period charges and credits to Account 518, of the Minnesota Uniform System of Accounts - Class A and B electric utilities excluding any expenses for the cost of fossil fuel. All electric public utilities shall use this definition regardless of class.

This rule is reasonable and necessary.

As proposed, PSC 390(j) reads as follows:

"Cost of Fuel Consumed in the Manufacture of Gas" is the withdrawals, during the heating season, from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities. All public utilities shall use this definition regardless of class.

During the course of the public hearings on these rules a spokesman for Peoples Natural Gas Company took issue with this rule on the grounds that the company had been recording these entires in a subaccount of Account 153 (Tr. 134-135). Since the close of the hearing, the company has reconsidered its position and now feels that Account 151 is indeed the proper account. Accordingly, the company has revised its entries as of January 1, 1975, and the company has withdrawn its objection to the use of Account 151 as voiced at the public hearing.

By oral (Tr. 135) and written (February 18, 1975) comments, the company stated that PSC 390(j) appears to unduly limit the scope of costs to "withdrawals, during the heating season." The company contended that there are bona fide expenditures during the year (other than the heating season) such as necessary and required testing of peak shaving equipment, which are proper costs. Therefore, the company argued that the words "during the heating season" be deleted from PSC 390(j).

Although there may be bona fide manufactured gas costs incurred outside of the heating season, these costs are subject to management control and should not be included in the automatic adjustment provision.

The Commission recognizes that there may be legitimate costs incurred outside of the heating season. However, the Commission finds that the intent of the automatic adjustment rules is to allow the utility to pass through fuel costs over which the utility has no control.

The Commission also amends this rule to make clear that PSC 390(j) applies only to gas utilities.

Based upon the above-stated findings, the Commission amends PSC 390(j) to read as follows:

> "Cost of Fuel Consumed in the Manufacture of Gas" is the withdrawals, during the heating season, from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities. All gas public utilities shall use this definition regardless of class.

This rule is reasonable and necessary.

As proposed, PSC 390(k) reads as follows:

> "Cost of Purchased Gas" is the cost of gas as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities, Account 804 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All public utilities shall use this definition regardless of class.

The Commission proposed a change to clarify the fact that the cost of liquefied natural gas should be included in the cost of purchased gas. This proposal amends " . . . account 804 and . . ." to " . . . accounts 804, 808 and 809 and . . ." Also, the word "gas" should be inserted after the word "All." No comments were received from any interested parties either during or subsequent to the hearing regarding the above mentioned definition.

Based upon the above-mentioned comments, the Commission amends PSC 390(k) to read as follows:

> "Cost of Purchased Gas" is the cost of gas as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities, Account 804, 808 and 809 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All gas public utilities shall use this definition regardless of class.

This rule is reasonable and necessary.

As proposed, PSC 390(l) reads as follows:

> "Current Period" is a two month moving average during which an automatic adjustment to charges for electric utilities is computed.

At the hearing, a spokesman for Minnesota Power and Light suggested that "Current Period" be defined as the most recent available two month moving average during which an automatic adjustment to charges for electric utilities is computed (Tr. 131). In support of its change the company stated that the current period should be the period for which the most recent historical information is available.

A representative for the Minnesota Association of Electric Cooperatives suggested that PSC 390(1) be amended so that a utility may petition the Commission to use a longer period than the one defined by PSC 390(1) (Tr. 119-123). In support of its amendment, the association stated that the two month period may create unwarranted fluctuations and would preclude self-billing utilities from using the automatic adjustment. In addition, the association stated that the Rural Electrification Administration (REA), which is the substantial banking organization for the cooperatives, has a model energy adjustment clause and recommends the utilization of a 12-month moving average on which to make these calculations.

In a written comment received January 6, 1975, the United States Department of Agriculture, Rural Electrification Administration, suggested that the "current period" should be no less than 12 months for self-billing utilities and between 2 to 12 months for other utilities. The rationale for the proposed change was that due to time and economic factors the two month period did not match the computation period with actual operation of the utility.

The Commission agrees that for self-billing utilities the two month average may preclude the use of the automatic adjustment provision or may increase the cost of operations by forcing the self-billing utility to convert to centralized billing. The Commission does not agree with the REA's suggestion that a change in the two month period was warranted for non-self-billing utilities.

The Commission finds that the term "current period" for purpose of the automatic adjustment rules is the most recent two month moving average used in computing an automatic adjustment of charges. The Commission further finds that the use of a two month moving average may create unwarranted fluctuations and may preclude self-billing utilities from using the automatic adjustment. The Commission finds there is no evidence on the record to support any change in the definition of "current period" for non-self-billing utilities.

Based upon the above-mentioned findings, the Commission amends PSC 390(1) to read as follows:

> "Current Period" is the most recent two month moving average used in computing an automatic adjustment of charges. Upon approval of the Commission, a self-billing utility may use a longer period, not to exceed 12 months, provided that the provision contains a settlement procedure. All electric utilities shall use this definition.

This rule is reasonable and necessary.

As proposed, PSC 390(m) reads as follows:

"Heating Season" is the period from November 1 to March 31.

A spokesman for Peoples Natural Gas Company suggested that "Heating Season" be redefined as the period from October 1 to April 30 (Tr. 134). A spokesman for Northern States Power Company also suggested the same definition (written comment February 18, 1975). The rationale of both parties was that the October 1 to April 30 period more accurately reflects the Minnesota heating season. Northern States Power also commented that the rules definition is too restrictive because normally 6 percent of the Degree Days occur in October and 7 percent of the Degree Days occur in April.

Based upon the above discussion the Commission amends PSC 390(m) to read as follows:

"Heating Season" is the period from October 1 to April 30.

As proposed, PSC 390(n) reads as vollows:

This rule is reasonable and necessary.

"Kilowatt-hour Sales" is the kilowatt-hours delivered during the current period less interchange sales.

A spokesman for Northern States Power Company suggested by written comments received February 18, 1975 that PSC 390(n) should be amended to read as follows:

"Kilowatt-hour Sales" is the kilowatt-hours delivered during the current period <u>minus the kilowatt hours attributable to generating plants not included in the base period cost calculations,</u> less interchange sales.

In support of its amendments, the company argued that kilowatt-hour sales for the purpose of the fuel adjustment clause should be limited to electrical energy generated by operating plants whose capital costs were included in the rate base when the current rate was established. The company argued that if a utility adds a plant which has high capital costs and low fuel costs (i.e., a nuclear plant) and characteristics of this plant were not taken into account in the last rate determination, it would be unfair to the utility to reflect the benefits of the low fuel cost through the automatic adjustment clause without providing in the rate a fair return on the high capital costs of a new plant.

The company's objection to PSC 390(n) is the same as the company's objections to PSC 390(h) and (i). As noted before, by limiting the application of the fuel adjustment clause to fuel costs attributable to and kilowatt hours generated by generating plants whose capital costs were included in the rate base for the purpose of the last rate determination, the Commission would be blocking the pass-through to the consumer of the fuel cost savings, which may result from newly constructed plants. The company argues in the case of new plant construction, these fuel cost savings could be used to offset higher capital costs. However, the company's proposed use of fuel cost savings to offset higher capital costs defeats the objective of the automatic adjustment provision. As stated before, the objective of the automatic adjustment provision is to recover changes in the cost of fuel and energy, and not to provide an offset for increased capital cost.

The Commission also finds that PSC 390(n) should be amended to clarify the fact that kilowatt-hour sales is the divisor to be used in computing the current period cost and base period cost per kilowatt hour in PSC 392(b). Therefore, based upon the above findings, the Commission amends PSC 390(n) to read as follows:

> "Kilowatt-Hour Sales" is the kilowatt-hour delivered during the current or base period less interchange sales. This is the divisor used to obtain current period cost and base period cost per Kwh in PSC 392(b).

For reasons set out below in connection with PSC 393(c) and 394(d), the Commission has determined that it is reasonable and necessary to provide for accumulation of interest on funds collected from customers which eventually are refunded to customers after being available for some period of time for use by a utility. The prime interest rate is an appropriate rate of interest for these purposes, and has been used by the Commission in major general rate cases when refunds are ordered. The definition of prime interest rate adopted herein is that proposed in the Commission's rate filing rules, PSC 400 et seq. and reflects consistent Commission practice.

Accordingly, the Commission adds a new definition, PSC 390(o), as follows:

"Prime Interest Rate" means the average of the daily prime lending rates offered to preferred customers at the largest bank in the Ninth Federal Reserve District during the period. The largest bank is that bank with the greatest total outstanding deposits as of the end of the calendar year preceding the notice of change in rates.

This rule is reasonable and necessary.

As proposed, PSC 390(o) reads as follows:

"Public Utilities" is as defined by Section 1, Subdivision 4 of the Minnesota Public Utilities Act.

A spokesman for Peoples Natural Gas Company discovered an error in PSC 390(o); where it read Section 1, it should have Section 2 (Tr. 135). Accordingly, the Commission amends PSC 390(o) to read as follows:

"Public Utilities" is as defined by Section 2, Subdivision 4 of the Minnesota Public Utilities Act.

Furthermore, PSC 390(o) is renumbered to PSC 390(p).

This rule is reasonable and necessary.

A representative for Peoples Natural Gas Company stated by written comment, received February 18, 1975, that there was a need for an additional definition and submitted the following:

(p) "Manufacture of Gas" shall include but not be limited to propane peak sharing operations and/or any costs associated with other supplemental supplies such as LNG (Liquefied Natural Gas), SNG (Synthetic Natural Gas), etc.

The Commission finds that PSC 390(k) as amended properly defines the cost of purchased gas to include LNG, SNG, etc. Account 808 of the Minnesota Uniform System of Accounts includes debits for the cost of gas withdrawn from storage during the year. Account 809 of the Minnesota Uniform System of Accounts include credits for the cost of gas delivered to storage during the year. The Commission finds that this accounting method includes the cost of LNG, SNG, etc.; therefore, the Commission rejects the company's definition as unnecessary and unreasonable.

PSC 391 Applicability and Types of Automatic Adjustment of Charges

PSC 391 provides that all public utilities may have automatic adjustment provisions. In addition, the rule specifies what types of cost changes may be included in an automatic adjustment provision.

As proposed, PSC 391(a) reads as follows:

> The Commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided such regulations conform to PSC 392-395.

In support of the proposed rule, the Commission stated that the cost of fuel and energy constitute a significant portion of the utility's operating cost and the consumer's bill. Clearly the utility must have a way to recover or refund changes in fuel and energy costs. Any rate setting mechanism must be responsive enough to provide for timely and appropriate changes in charges (Tr. 70).

The Commission notes there are several mechanisms which may be used for the accounting of fuel cost changes. These mechanisms are:

1. Traditional rate hearings;
2. Periodic hearings confined to fuel and energy cost and directly-related factors; and
3. Automatic adjustment provisions that are built into rate schedules.

The traditional rate case approach is time consuming and costly. Further, the traditional rate case is not responsive to frequent and significant changes in cost.

Since the issues are limited to those relating to fuel and energy costs, the periodic hearing approach has the advantage of being less time consuming and less costly. The Commission recognizes, however, that fuel and energy cost are in themselves seldom points of debate. If the issues are broadened in hearing to include general utility cost offsets, the hearing is no longer limited and any savings in time and cost are dissipated. In addition, the periodic hearing approach would result in a significant increase in the number of hearings and would fail to provide assurance that the utility would request a hearing if costs decreased.

The automatic adjustment provision is the method adopted by a majority of Public Service Commissions currently in operation, the Rural

Electric Association (REA) and Federal Power Commission (FPC). This method provides for limited Commission review and approval and reduces the frequency of hearings. The research conducted indicated that none of the Commissions provide for an efficiency adjustment factor because efficiency offsets can be best addressed in a general rate proceeding.

To summarize, the Commission adopts the use of an automatic adjustment provision as the mechanism to adjust for changes in cost for the following reasons:

1. The traditional approach is not responsive to changes in cost and may impair the financial stability of a utility;
2. It is pointless to conduct hearings on fuel and energy cost alone and impractical to consider offsets, such as increased efficiency on a short-term basis and thus, the periodic hearing approach was rejected; and
3. The majority of Public Service Commissions have recognized automatic adjustment provisions as the method to provide for responsive adjustment in rates to reflect changes in fuel and energy cost.

The Commission considered the following alternatives for the regulation of automatic adjustment provisions:

1. Establish automatic adjustment provisions on an individual basis for each utility, or
2. Promulgate rules and regulations which set forth procedures to which automatic energy adjustment provisions shall conform.

The determination of automatic adjustment provisions on an individual basis is the method used by the Public Service Commissions of Wisconsin, Iowa, North Dakota, Michigan and Georgia. The FPC has adopted the rule approach for the regulation of automatic adjustment provisions. In addition, the REA has developed a recommended purchase power provision.

Based upon the above review, the Commission finds that there has been suficient information accumulated over time and sufficient similarity in provisions to allow the use of the rule approach for the regulation of

automatic adjustment provisions. In addition, the rule approach will:

1. Provide for the uniform application of Minn. Stat. § 216B.16, Subd. 7;
2. Avoid repeated evaluation of procedures and allowable cost issues; and
3. Reduce the time required to evaluate automatic adjustment provisions.

A spokesman for Northern States Power Company suggested that the Commission amend the word "regulations" to read "provisions," because the word "regulations" was incorrect terminology (Tr. 109). The Commission agrees with the Company.

Also, the Commission amends this rule to clarify that the filing must conform to the entire set of rules including the definitional section necessary to interpret other provisions, and thus substitutes "PSC 390-395" for the existing language.

Thus the Commission amends PSC 391(a) to read as follows:

> The Commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided such provisions conform to PSC 390-395.

This rule is reasonable and necessary.

As proposed, PSC 391(b) reads as follows:

> PSC 390-395 shall be applicable to all classes of public utilities.

The automatic adjustment rules are applicable to all rate-regulated utilities, and rate regulated utilities include both investor-owned and co-operatively-owned utilities as provided in Minn. Stat. § 216B.02, Subd. 4.

This rule is reasonable and necessary.

As proposed, PSC 391(c) reads as follows:

> Provisions for automatic adjustment of charges shall encompass:
>
> (1) Changes in cost resulting from changes in the federally regulated wholesale rate for energy purchased and changes in the cost of fuel consumed in the generation of electricity. This provision is entitled electric energy adjustment.
>
> (2) Changes in cost resulting from changes in the federally regulated wholesale rate for purchased gas and changes in the cost of fuel consumed in the manufacture of gas. This provision is entitled purchased gas adjustment.

With regard to what types of costs should be permitted in an automatic adjustment provision, Minn. Stat. § 216B.16, Subd. 7, clearly limits the use of an automatic adjustment provision to the recovery of charges for the cost of fuel and energy purchased. In addition, the transcript on the Minnesota Public Utilities Act, H.F. 1835, indicates that costs other than fuel and energy were considered but the amendment finally accepted by the committee pertains only to fuel and energy purchased.

Based on the above findings, the Commission adopts PSC 391(c) as proposed. This rule appears consistent with the Act and fulfills the Commission's responsibility of determining rates, which are just, reasonable, and consistent with the financial and economic requirements of the utilities.

By written comment submitted February 18, 1975, a spokesman for Northern States Power Company suggested the addition of a new section, which would read as follows:

> The Commission, upon the showing of good cause by a utility or other person, may permit the provisions for the automatic adjustment of charges to vary from the requirements of PSC 390-395.

In support of its suggestion, the company stated that while the proposed rules are fair and workable under the company's present circumstances, it is possible that conditions may change in an unforeseeable manner and make an alternate form of automatic adjustment clause preferable. The company hoped that if good cause were shown in such an eventuality, the Commission would allow a variation from the standardized adjustment clause.

The Commission agrees with the company that unforeseen changes and conditions may necessitate deviations from this provision. However, any allowable deviation should address specific problems and should be included only after appropriate investigation and hearings to determine significance of a specific problem. The Commission rejects the company's suggestion as unnecessary and unreasonable.

PSC 392 Electric Energy Adjustment

PSC 392, Electric Energy Adjustment, was proposed to identify the procedures to be followed in the development of an electric energy adjustment provision. As proposed, the rule provides for the equitable recovery of changes in the average fuel and energy cost of service with due consideration to variations in distribution loss mix between fuels consumed and energy purchased, and the mix between generation and purchased power.

As proposed, PSC 392(a) reads as follows:

> The amount of the billing period adjustment to charges shall be determined by extending Kwh of sales in the billing period by an adjustment per Kwh.

The Commission proposed that PSC 392(a) be amended to require that the adjustment per Kwh or the amount of the adjustment be stated on the customer's bill. The reason for the change was to enable the customer to calculate his bill. This amendment conincides with the Commission's own rule governing billing content (Minn. Rule PSC 313). Therefore, the Commission amends PSC 392(a) to read as follows:

> The amount of the billing period adjustment to charges shall be determined by extending Kwh of sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313.

This rule is reasonable and necessary.

As proposed, PSC 392(b) reads as follows:

> The adjustment per Kwh shall be the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base cost per Kwh.

The proposed electric energy adjustment provision includes in the calculation of the cost of energy the costs attributable to fossil fuel, nuclear fuel and purchased power. Fossil fuel costs should be included in electric energy adjustment provisions for utilities which do not operate their own generating facilities. Inclusion of nuclear fuel costs in electric energy adjustment provisions is based on the recognition of the increased cost of nuclear fuel and the increase in nuclear generation capacity. In addition, the exclusion of nuclear may unduly influence a utility's selection of future generating facilities.

By written comments submitted February 18, 1975, a representative of Northern States Power Company suggested that PSC 392(b) be amended by substituting the words "divided by kilowatt hour sales" for the words "per Kwh" as found after the word "consumed." The rationale for the proposed change was to clarify that cost is per Kwh sold. The Commission finds that the proposed amendment is unnecessary since clarification has been accomplished by amending PSC 390(n) as noted on page 14 of these findings.

As proposed, PSC 392(c) reads as follows:

> The adjustment per Kwh developed according to PSC 392(b) may be further modified to reflect the associated change in gross receipt taxes, franchise taxes, or other similar assessments by local government units which are based on gross receipts or gross revenue.

Since the objective of an energy adjustment provision is to make a utility whole for changes in costs of energy or fuel, the Commission originally proposed that changes in gross receipts tax or similar taxes be allowed in the energy adjustment. Subsequent to the hearing, the Commission issued the following statement:

> TO: ALL UTILITIES UNDER THE JURISDICTION OF THE MINNESOTA DEPARTMENT OF PUBLIC SERVICE
>
> FROM: LAWRENCE J. ANDERSON, DIRECTOR
> MINNESOTA DEPARTMENT OF PUBLIC SERVICE
>
> RE: ALLOWANCE OF MUNICIPAL FRANCHISE FEES AS OPERATING EXPENSE
>
> Various local governmental units in the State of Minnesota assess franchise or license fees, gross receipts taxes, or similar levies on utilities which operate within their jurisdictions. The Minnesota Public Service Commission is of the opinion that a utility should charge back such a levy to its customers within the levying jurisdiction. It will scrutinize each future application for a rate increase to determine whether the utility has included any such levy as an operating expense. All such claims will be disallowed. The Commission will require the utility to charge back the levy to its customers within the levying jurisdiction.

The Commission finds that proposed 392(c) conflicts with the Commission's above-stated position and, therefore, the Commission withdraws PSC 392(c) as proposed.

As proposed, PSC 392(d) reads as follows:

> The adjustment to charges shall be made in the next complete billing period succeeding the determination of the adjustment per Kwh provided the adjustment has been filed as defined by PSC 394(b). The adjustment factor shall be calculated monthly.

With regard to the time needed for computation, the Commission's objectives were to provide for the rapid recovery of costs, to maintain an incentive to negotiate for the lowest possible cost and to smooth fluctuation in cost. The Commission believed that a two month average will meet these objectives because a two month average reduces lags and provides some smoothing of rate fluctuations. Based on its own research the Commission felt that a lag of 45 days would not place an undue financial burden upon the utility.

A spokesman for the Minnesota Association of Electric Cooperatives by oral and written comments (Tr. 117-123 and February 20, 1975), suggested that PSC 392(d) be amended to read as follows:

> The adjustment to charges shall be made in the next complete billing period succeeding the determination of the adjustment per Kwh provided the adjustment has been filed as defined by PSC 394(b). The adjustment factor shall be calculated monthly, except that self-billing utilities for good cause shown may apply the adjustment factor less often than monthly but least annually. (Amending language underlined).

In support of the amendment, the Association stated that a number of electric cooperatives use the self-billing method of collecting bills. Cooperatives using this method send their consumers a rate chart at the beginning of each new billing year and a set of blank bills. Each month the consumer reads his own meter, applies the rate chart to the Kwh's used, calculates the amount due, and sends in payment of the bill. A self-billing cooperative desirous of using the energy adjustment clause that would have to be applied monthly would be required to send out a new rate chart each month to its consumers if the wholesale rate changed sufficiently so that each consumer could include the adjustment factor in his bill. The Association stated that there is simply no way for a self-billing cooperative to handle this process.

In addition to the proposed amendment, the Association recommended that the rule specify a rounding off point. The rationale for the proposed change was that the cost of passing small increases through to the consumer would be uneconomical (Tr. 127-128).

The Commission recognizes that the computation of the adjustment monthly may be unfeasible for a self-billing utility. The Commission, however, notes that whether the adjustment is computed annually or monthly, it is the intent of the rule that the adjustment must be applied each month. The Commission agrees with the Association that the rule should specify a rounding off point. To clarify the fact that a self-billing utility may calculate the adjustment less frequently than monthly and that the adjustment must be applied monthly, the Commission amends PSC 392(d) (renumbered to PSC 392(c) in light of the deletion of proposed PSC 392(c)) to read as follows:

> The adjustment to charges shall be made in the next complete billing period succeeding the determination of the adjustment per Kwh provided the adjustment has been filed as defined by PSC 394(b). The adjustment factor shall be calculated monthly. Except, upon Commission approval, a self-billing utility may calculate the adjustment less frequently but at least annually and must provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount shall be rounded such that the projected recovery is within 2% of the change in total cost.

This rule is reasonable and necessary.

A spokesman for Peoples Electric Cooperative Association, Inc., by written comment received February 5, 1975, recommended that self-billing utilities be permitted to use an annual adjustment based on two or three months of historical information. In support of its proposed change, the company stated a lag in collection of fuel costs is created by the use of a twelve month previous average adjustment. The company felt that this lag could be reduced if the annual adjustment was based upon an average of the two or three months prior to the date of placing the adjustment into effect annually. The Commission finds that the company's proposal would distort the adjustment per unit concept outlined in these rules and may significantly distort the matching of cost changes to cost recovery. The Commission rejects the company's proposal as unreasonable and unnecessary.

PSC 393 Purchased Gas Adjustment Provision

This rule outlines the procedures to be followed in the development of purchased gas adjustment provisions. Basically, PSC 393 provides for the automatic adjustment of retail gas rates per Mcf of customer consumption to directly reflect changes in the commodity cost of gas and the demand cost of gas from a base period cost; and the computed difference in the cost of propane or other fuel consumed in the manufacture of gas during the heating season from base period costs spread over the succeeding 12 months' sales.

As originally proposed PSC 393(a) reads as follows:

> The amount of the billing period adjustment to charges shall be determined by extending Mcf or Ccf sales in the billing period by an adjustment per Mcf or Ccf.

The Commission later proposed that PSC 393(a) be amended by the addition of the following sentence: "The adjustment per Mcf or Ccf or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313." This was proposed to enable customers to calculate their bill and to emphasize the specific application of PSC 313. There was no disagreement with this rule, as amended, by any person at the hearing.

The Commission amends PSC 393(a) to read as follows:

> The amount of the billing period adjustment to charges shall be determined by extending Mcf or Ccf sales in the billing period by an adjustment per Mcf or Ccf. The adjustment per Mcf or Ccf or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313.

This rule is reasonable and necessary.

As proposed, PSC 393(b) provides that the adjustment per Mcf or Ccf is the sum of the commodity adjustment, demand adjustment and manufactured gas adjustment. The gas adjustment should reflect changes in costs on an individual cost component basis subject to a periodic adjustment to reflect changes in sales volume. Under this method the recovery of cost will be properly matched to the corresponding cost increases.

As originally proposed, PSC 393(b)(1) reads as follows:

> The commodity adjustment is the difference between the commodity cost which results from a change in the city gate rate and the commodity base cost. The adjustment shall be applied to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by PSC 394(b).

The Commission later proposed a change in PSC 393(b)(1) for clarity. The proposal was that after the words "base cost" there be added the following sentence: "To properly reflect adjustment per Mcf or Ccf billed, the divisor for a particular class of customer must include total sales volume delivered to that class of customer." This proposal accurately reflects the Commission's objective to match the recovery of costs with the corresponding cost increases. No comments were received from other interested persons either during or subsequent to the hearing regarding the above-mentioned subdivision of PSC 393.

The Commission amends PSC 393(b)(1) to read as follows:

> The commodity adjustment is the difference between the commodity cost which results from a change in the city gate rate and the commodity base cost. To properly reflect adjustment per Mcf or Ccf billed, the divisor for a particular class of customer must include total sales volume delivered to that class of customer. The adjustment shall be applied to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by PSC 394(b).

This rule is reasonable and necessary.

As proposed, PSC 393(b)(2) reads as follows:

> The demand adjustment is the difference between the annual demand cost which results from a change in the city gate rate and the demand base cost. In the event the demand city gate rate does not change, the demand adjustment shall be recalculated for each 12 month period from the date of the last change. The adjustment shall be computed on the basis of annual demand sales volume and applied to billings after the effective date of the demand rate change provided the adjustment has been filed as defined by PSC 394(b).

A spokesman for the Minnesota Gas Company suggested, by written comments received February 18, 1975, that the following sentence be deleted from PSC 393(b)(2): "In the event the demand city gate rate does not change the demand adjustment shall be recalculated for each 12 month period from the date of the last change." In support of its proposal the company stated that the recalculation each 12 months of a demand adjustment, even when the city gate rate has not changed, is unnecessary. The company felt that the demand adjustment portion of the purchased gas adjustment should be triggered only by changes in the city gate rate from the demand base cost. This simplification will fully protect the customer and is inherently easier to understand by the customer while permitting the utility to recover only increases in demand costs above the base cost.

The company argued that the annual firm sales volume normally will not vary substantially, assuming normal weather, unless there is a change in the peak day supply. Under present circumstances of no additional availability from the pipeline, firm supply may be increased only by the installation of additional peaking capacity by the distributor. The company stated that it is presently increasing its peaking capacity by the expansion of underground storage and the installation of liquefied natural gas (LNG) facilities. The company argued that if increased sales due to additional peaking capacity were then employed to lower the unit demand charge, the company would be in the position of having invested additional sums to build the peaking facilities and at the same time, have by its demand adjustment reduced its revenues.

The company's objective in proposing its change is the recovery of the increased capital cost associated with peak shaving facilities. The Commission recognizes that a utility has an inherent right to recover its costs incurred in providing service and to earn a return on its investment. The Commission finds, however, the purchased gas adjustment provision is not the proper vehicle by which the company should be allowed to recover its capital cost and to earn a return on its investment. The Commission finds that the objective of the purchased gas adjustment provision is to reflect changes in fuel and energy cost. For these reasons the Commission rejects the company's suggested change and adopts PSC 393(b)(2) as proposed, as reasonable and necessary.

As proposed, PSC 393(b)(3) reads as follows:

> The manufactured gas adjustment is the difference between the cost of propane and other fuel consumed in the manufacture of gas during the heating season and the manufactured gas base cost. The manufactured gas adjustment shall be computed annually for the heating season ending March 31 of each year on the basis of annual sales volume. The adjustment shall be applied to billings during the next 12 month period commencing May 1 of each year provided the adjustment has been filed as defined by PSC 394(b).

A representative of Peoples Natural Gas Company, by oral (Tr. 136) and written (February 18, 1975) comments, suggested that the words "during the heating season" be deleted from the proposed manufactured gas adjustment. The company argued in support of its deletion that PSC 393(b)(3) unduly limits the scope of costs to those incurred during the heating season. The company contended that there are bona fide expenditures during the year (other than the heating season) such as the necessary and required testing of peak shaving equipment, which are proper costs. Therefore, the company argued that the words "during the heating season" be deleted from PSC 393(b)(3).

The company's proposal conincides with the company's exception to the definition of the "Cost of Fuel Consumed in the Manufacture of Gas" (PSC 390(j)). As stated on page 12 of these findings, the Commission recognizes that there may be legitimate costs incurred outside of the heating season. However, the intent of the automatic adjustment rules is to allow the utility to pass through fuel costs over which the utility has no control. Based upon the above-stated findings, the Commission rejects the company's proposal as unnecessary and unreasonable.

A spokesman for the Minnesota Gas Company suggested, by written comment received February 18, 1975, that the words "Annual Sales Volume" be deleted and replaced with the words "annual demand sales volume."

The company stated that the rationale behind this proposed change is the same as that proposed for changes in the city gate rate for contract demand. The company felt that the fuel purchased for the manufacture of gas used for peak shaving should be related to firm gas sales volume only, since the physical operation of these facilities is to provide peak day capacity only for firm gas customers and not for interruptible gas customers.

A representative of Northern States Power Company suggested by written comment (received February 18, 1975) that PSC 393(b)(3) be amended to read as follows:

> The manufactured gas adjustment is the difference between the cost of propane and other fuel consumed in the manufacture of gas during the heating season and the manufactured gas base cost. The manufactured gas adjustment shall be computed annually for the heating season ending April 30 of each year on the basis of annual demand sales volume. The adjustment shall be applied to billings during the next 12 month period commencing on June 1 of each year provided the adjustment has been filed as defined by PSC 394(b). Use of a manufactured gas adjustment is not required by this rule, but is optional with the utility (amending language underlined).

In support of its amendment, the company stated that it currently does not compute a manufactured gas adjustment in its current purchased gas adjustment clause because of the cost of propane, which accelerated to very high levels late in 1973, dropped back in the spring of 1974 and has remained at relatively constant levels since that time. In addition, the need to peak shave during the last two heating seasons has not been great because there was few below zero days. The company stated that inclusion of a manufactured gas adjustment in an individual utility's purchased gas adjustment should be optional since the company has found that manufactured gas is not a cost element of major significance when based on current stable propane prices and weather.

The company stated that the reason for using April 30 as the end of the heating season was discussed by its comments concerning the definition of "heating season" (PSC 390(m)). If the heating season is extended to April 30, the company argued that the date for commencing rate adjustments should be June 1.

Both the Minnesota Gas Company and Northern States Power Company have taken exception to the use of annual sales volume as the basis for the manufactured gas adjustment. The Commission recognizes that peak shaving fuel costs are generally incurred in order to provide service to firm gas customers. However, the Commission also recognizes that it is conceivable that peak shaving fuel costs may be incurred to service interruptible gas customers. The manufactured gas adjustment should be computed annually for the heating season on the basis of firm annual sales volume adjusted to the extent manufactured gas is used to serve interruptible customers. The use of this method will insure the fuel costs of manufactured gas will be borne by the class of customer being served by manufactured gas.

The Commission agrees with Northern States Power Company that the heating season should be extended to April 30 (see above). The Commission agrees that since the heating season is extended to April 30, the date for commencing rate adjustments should be June 1. The Commission does not agree with the company's contention that the manufactured gas adjustment should be on an optional basis. An optional manufactured gas adjustment provision could result in the situation where the provision could be used as cost increases and discontinued when cost decreases. Based upon the above stated

findings, the Commission amends PSC 393(b)(3) to read as follows:

> The manufactured gas adjustment is the difference between the cost of propane and other fuel consumed in the manufacture of gas during the heating season and the manufactured gas base cost. The manufactured gas adjustment shall be computed annually for the heating season ending April 30 of each year on the basis of firm annual sales volume adjusted to the extent manufactured gas is used to serve interruptible customers. The cost of manufactured gas shall be applied to interruptible customers. The adjustment shall be applied to billings during the next 12-month period commencing on June 1 of each year provided the adjustment has been filed as defined by PSC 394(b).

This rule is reasonable and necessary.

As proposed, PSC 393(c) reads as follows:

> Refunds and interest thereon received from the suppliers of purchased gas which are attributable to the cost of gas previously sold shall be refunded by credits to bills or check within a period not to exceed 60 days.

A spokesman for the Minnesota Gas Company suggested by written comments received February 18, 1975, that PSC 393(c) be amended to read as follows:

> Refunds and interest thereon received from the suppliers of purchased gas which are attributable to the cost of gas previously sold shall be refunded by credits to bills or check within a period not to exceed 60 days or refunded by the reduction of the billing rate over a 12-month period including interest on the unrefunded balance at the "Prime Interest Rate." If the refunds amount to less than 2 cents per Mcf of annual sales, the reduction may be commenced on the next May 1 to coincide with the manufactured gas adjustment.

In support of its amendment, the company stated that a 12-month period for refund disbursement, with interest, provides a more orderly and less disruptive pattern to what the customer expects for a utility bill. Refunding on the basis of past usage, the company argued, is a very expensive and unsatisfactory method of returning monies to a large number of customers. The most economical and feasible method is a temporary credit in the billing rate for a future period. Since the monthly billing for gas varies widely with the heating cycle, a 12-month credit period is the most equitable for all customers.

A representative for Northern States Power Company suggested by written comments received February 18, 1975, that PSC 393(c) be amended to read as follows:

> Refunds and interest thereon received fom the suppliers of purchased gas which are attributable to the cost of gas previously sold shall be refunded by credits to bills or check within a period not to exceed 90 days unless other refund procedures are proposed by the public utility and approved by the Commission.

The company's rationale for proposing the amendment was basically the same rationale given by the Minnesota Gas Company in support of its amendment to PSC 393(c).

The Commission agrees with both the Minnesota Gas Company and Northern States Power in their comments concerning refunding under PSC 393(c). A longer refund period is necessary because of seasonal variations in usage between firm and interruptible customers. A longer refund period will ensure an equitable distribution of any refund.

A major concern of the Commission is the minimization of any excess accumulation of interest income by the utility. The Commission finds that its objective can be met by providing for additional interest at the prime interest rate on the amount to be unrefunded to customers. The Commission does not agree with the Minnesota Gas Company's contention that minor refunds should be held until the following year. The Commission finds that the company's proposal would increase the monitoring procedures necessary to ensure that refunds are distributed equitably. In addition, the company's proposal would provide the utility with additional short term working capital at the expense of its customers.

Based upon the above-stated findings, the Commission amends PSC 393(c) to read as follows:

> Refunds and interest thereon received from the suppliers of purchased gas which are attirbutable to the cost of gas previously sold shall be refunded by credits to bills or check within a period not to exceed 12 months. The utility shall add interest to the unrefunded balance at the prime interest rate.

This rule is reasonable and necessary.

As proposed, PSC 393(d) reads as follows:

> The adjustment per Mcf or Ccf developed according to PSC 393(b) may be further modified to reflect the associated change in gross receipts taxes, franchise taxes and other similar assessments by local governmental units which are based on gross receipts or gross revenue.

The Commission finds that proposed PSC 393(d) conflicts with the Commission's position stated on page 22 of these findings. For this reason, the Commission withdraws PSC 393(d).

PSC 394 Filing Requirements and Approvals
Electric Energy and Purchase Gas Adjustments

PSC 394 outlines the procedure by which a utility will file its automatic adjustments and specifies the procedure by which the Commission will approve those automatic adjustments. These filing requirements provide the Commission with the necessary information to answer customer inquiries and complaints, to verify the computation of any adjustment, and to check the effectiveness of the Commission's rules.

As proposed, PSC 394(a) reads as follows:

> All public utilities shall file annually on October 31 of each year the procurement policies for selecting sources of fuel and energy purchased and dispatching . policies, if applicable, and a summary of actions taken to minimize cost.

A spokesman for Minnesota Power and Light suggested that there should be an initial filing of procurement policies and subsequent filings only if procurement policies were changed (Tr. 131). In support of its amendment the company argued that annual filings are unnecessary, redundant, and costly if the utility's procurement are unchanged from the previous year.

A representative of Peoples Natural Gas Company, by oral (Tr. 136-137) and written (February 18, 1975) comments, suggested that PSC 394(a) be revised to read "all electric utilities" rather than "all public utilities." The company argued that an annual filing of procurement policies from a gas distributor would not be a useful report to the Commission. A gas distributor obtains his supply for a community from a single supplier under a firm contract or service agreement with no opportunity of alternating its takes between sources of supply.

The Commission finds that in keeping with the legislative intent of the Act as stated above in these findings, every public utility must actively pursue a procurement policy which will effectively minimize the cost of full and purchased energy. The only effective way to monitor a utility's procurement policy is to require an annual filing of its procurement policy. The Commission agrees that a gas distributor purchases its supply of gas from a single supplier under a firm contract. However, the Commission notes that in addition to its contract purchases, a gas distributor purchases fuel for peak shaving facilities. The Commission's ability to monitor these purchases would be hampered if gas utilities were exempted from PSC 394(a).

For these reasons the Commission adopts PSC 394(a) as proposed.

As proposed, PSC 394(b) reads as follows:

> Whenever a public utility changes its automatic adjustment of charges, the utility shall prior to the effective date, file the following:
>
> (1) A summary of the computation of the adjustment.
>
> (2) An explanation of significant changes between the base cost and current cost. Changes for electric utilities shall be quantified as to price, mix, thermal efficiency and distribution loss. Changes for gas utilities shall be quantified as to price and mix changes.
>
> (3) A computation of standard cost for the current reporting period, if available. The standard cost for this computation may be either the planned or budgeted cost of fuel under normal operating and purchasing limits for the adjustment period or current period.

A spokesman for Peoples Natural Gas Company suggested, by written comment received February 18, 1975, that the data required by PSC 394(b)(3) be furnished only by electric utilities. The company argued that the required data was appropriate only to electric utilities. The Commission does not agree with the company. A gas utility may use several sources of energy to supply gas to its customers and on that basis it may compute a standard cost for energy delivered to its customers. Therefore, the Commission adopts PSC 394(b) as proposed.

As proposed, PSC 394(c) reads as follows:

> Automatic adjustment of charges shall be provisionally approved and may be placed into effect without Commission action, but subject to the conditions specified in PSC 394(d) and (e).

PSC 394(c) reflects the Commission's objective of avoiding the costly hearing process, but at the same time preserving basic safeguards for the consumers. No comments were received from interested persons either during or subsequent to the hearing regarding this subdivision.

As originally proposed, PSC 394(d) reads as follows:

> Errors made in computing adjustments or adjustments made which deviate from the procedures described in PSC 390 through 395 may be refunded to the consumer in an amount not to exceed the amount of the error upon the order of the Commission provided that:
>
> (1) Such order is served within 90 days after the receipt of the filing defined in rule PSC 394(b).
>
> (2) The amount of the error is greater than 5% of the corrected adjustment charge.

At the hearing a spokesman for Minnesota Power and Light suggested that PSC 394(d) be amended to clarify the fact that the refund may be made either by a check to consumer or a credit on his bill (Tr. 131-132). The staff agreed with the company's suggestion.

The Commission proposed a change to PSC 394(d)(1) to allow for refunding of errors detected during special or field audits. As proposed, PSC 394(d)(1) establishes a 90 day period after the receipt of the filing for the Commission to issue a refund order. Since it is not feasible or economical to conduct a field audit for each automatic adjustment within a 90 day period of its filing, the proposal was that PSC 394(d)(1) be amended to read as follows:

> Such order is served within 90 days after the receipt of the filing defined in rule PSC 394(b) or at the end of the next major rate proceeding, whichever is later.

The Commission agrees with Minnesota Power and Light that any refund to the consumer may be made by either a check to the consumer or a credit on his bill. Any refund shall be included interest computed at the prime rate. The refunding of excess charges with interest is expressly provided for by Minn. Stat. § 216B.16. The Commission recognizes that it is neither feasible nor economical for its staff to conduct a field audit for each automatic adjustment filed with the Commission. The Commission notes that a field audit is generally conducted in conjunction with a general rate increase filing. As part of that field audit, the staff reviews the utility's automatic adjustment clause and the utility's use of that clause. The Commission agrees that the time period for refunding should be extended so that it is possible to conduct a field audit of the utility's books.

Based upon the above-stated findings the Commission amends PSC 394(d) to read as follows:

> Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the Commission provided that:
>
> (1) Such order is served within 90 days after the receipt of the filing defined in rule PSC 394(b) or at the end of the next major rate proceeding, which ever is later.
>
> (2) The amount of the error is greater than 5% of the corrected adjustment charge.

This rule is reasonable and necessary.

As proposed, PSC 394(e) reads as follows:

> The Commission may upon complaint or upon its own motion, after appropriate investigation, notice and hearing, issue an order to fix at current levels, discontinue or modify an automatic adjustment provision for an individual utility.

The Commission finds that PSC 394(e) summarizes the Commission's authority found under the Minnesota Public Utilities Act, Minn. Stat. Chapter 216B. No comments were received from interested persons during or subsequent to the hearing regarding this subdivision.

This rule is reasonable and necessary.

PSC 395 Implementation

The purpose of this provision is to identify the interim procedures and the reporting requirements to be used by the utilities until they are in compliance with these rules. There are various automatic adjustment provisions now in effect and that termination or modification of such provisions constitutes a change in rates, which at a minimum requires a notice of a change in rates. The Commission also notes that if every automatic adjustment provision was summarily terminated, there would be a substantial number of requests for hearing. These requests for hearing would be the direct result of fuel and energy cost increases from the suppliers of the Minnesota utilities. Based upon the need for an orderly transition to regulation, the Commission finds that the existing automatic adjustment provisions should be allowed to continue if the current provisions do not result in an adjustment which is materially greater than those which would result from the application of these rules.

As proposed, PSC 395 reads as follows:

> (a) Existing automatic adjustment provisions in effect as of December 31, 1974 which will not result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall continue in effect until the Commission upon its own motion or upon complaint, after appropriate notice and hearing, shall order otherwise.
>
> (b) Adjustments made pursuant to automatic adjustment provisions in effect as of December 31, 1974, which may result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall be frozen by the utility at the level of charges in effect at the effective date of PSC 390 to 395. The existing level of any such automatic adjustments shall, on the effective date of PSC 390 to 395, be submitted to the Department of Public Service within 30 days.

(c) Newly proposed or revisions to or discontinuance of electric energy or purchased gas adjustment provisions shall be deemed to be a change in rates and Rules of Practice PSC 500 through 517 shall apply to such changes.

(d) If existing automatic adjustments of charges are continued under the provision of PSC 395(a), then the filing as defined by PSC 394(b) shall apply.

No comments were received from interested persons during or subsequent to the hearing regarding PSC 395.

A number of clarifications to PSC 395 must be made by the Commission because of the passage of time between the hearing and adoption of these rules. First, reference to December 31, 1974, may lead to confusion as many utilities have had fuel adjustment provisions approved by this Commission on an ad hoc basis after that date. Thus, "on the effective date of these rules" is substituted for that earlier date to clarify that existing provisions approved by the Commission will continue in effect at this time.

Also, reference to the Commission's Rules of Practice, PSC 500 et seq is unclear since many of these rules have been superceded by the establishment of the Office of Hearing Examiners in the interim. Thus, more general language is substituted which clearly indicates that fuel adjustment provision changes will be treated like other rate changes.

A few other clarifications are made which avoid confusion or awkwardness and do not change the meaning of the rule as proposed.

Therefore, the Commission adopts PSC 395, as amended, in its entirety as follows:

(a) Existing automatic adjustment provisions in effect on the effective date of these rules which will not result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall continue in effect until the Commission upon its own motion or upon complaint, after appropriate notice and hearing, shall order otherwise.

(b) Adjustments made pursuant to automatic adjustment provisions in effect on the effective date of these rules which may result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall be frozen by the utility at the level of charges in effect at the effective date of PSC 390-395. The existing level of any such automatic adjustments shall, on the effective date of PSC 390 to 395, be submitted to the Department of Public Service within 30 days.

(c) When a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal shall be deemed a change in rates and reviewed according to Commission rules and practices relating to utility rate changes.

(d) If existing automatic adjustments of charges are continued under the provision of PSC 395(a) then the filing requirements of PSC 394(b) shall apply.

After the hearing a representative for North Central Public Service Company suggested by written comments (February 18, 1975) numerous revisions to PSC 390, 391 and 393. After careful consideration the Commission rejects the Company's revisions. The Company's proposed changes are actually a different method of computing the automatic adjustment clause for gas public utilities. The Company's method appeared to be tailored to certain operating characteristics peculiar to North Central.

Although North Central states the belief that its proposed changes will produce results similar to those anticipated under PSC Rules 390-395 as proposed at the hearing, substantially different results would be obtained from North Central's proposals. North Central would combine the computation of the demand and commodity cost adjustments and utilize the estimated current sales volume to determine the unit cost adjustment rather than comparing a new unit cost with a base unit cost. This procedure tends to over-collect on the demand component of the purchased gas adjustment as firm sales volume increase.

North Central's method, to compute the manufactured gas adjustment, would compare a current twelve month period with a twelve month base period rather than a six month current heating season with a six month base period heating season as proposed under PSC Rules 390-395. North Central's method could tend to include costs in the manufactured gas adjustment not specifically related to heating season costs.

CONCLUSIONS

1. That the Commission gave due, timely and proper notice of the hearing herein. All other substantive and procedural requirements of the statute and applicable rules have been fulfilled.

2. The Public Service Commission has statutory authority to adopt the proposed rules.

3. The Commission has demonstrated the need for and the reasonableness of the proposed rules as amended.

Based upon the foregoing Conclusions, the Commission makes the following

ORDER

That the proposed rules be modified as suggested in the Findings and that, so modified, they be adopted.

BY ORDER OF THE COMMISSION

/S/ LEO J. AMBROSE
Secretary

SERVICE DATE: JUN 15 1977

(S E A L)

State of Minnesota)
(SS
County of Ramsey)

AFFIDAVIT
OF MAILING

Docket No. A-8117-11

Jane A. Turnquist, being first duly sworn, deposes and says:

That on the 19th day of December, 19 74, at the City of St. Paul, County of Ramsey, State of Minnesota, (s)he served the attached Notice of Hearing by depositing in the United States mail at said City of St. Paul, a true and correct copy thereof, properly enveloped, with postage prepaid, to all persons at the addresses shown on the attached mailing list.

Jane A. Turnquist

Subscribed and sworn to before me
this 19th day of December, 1974.

Notary Public Ramsey County, Minn.
My Commission expires Oct. 29, 1977

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

CERTIFICATE

In the Matter of Proposed Rules of the Minnesota Public Service Commission relating to Accounting and Financial Regulation of Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

Docket No. A-8117-11

I hereby certify that the attached 393 labels & ~~two~~ sheets constitute the complete list of persons, associations, and other interested groups who as of 3:30 o'clock, P.m. this 17th day of December, 1974, have requested pursuant to M.S. 1971, Section 15.0412, that their names be placed on file with the Secretary of State for the purpose of receiving notice of public hearing on proposed rules on the subject captioned above.

Arlen I. Erdahl

ARLEN I. ERDAHL
SECRETARY OF STATE

By Gail Dixon

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

AFFIDAVIT

Jane A. Turnquist, being first duly sworn, upon oath deposes and says:

1) That she is an employee of the Minnesota Public Service Commission of the State of Minnesota.

2) That on the 17th day of December, 1974, she went to the Secretary of State's office for the State of Minnesota and requested a current list of all representatives of associations or other interested groups or persons who have registered their names with the Secretary of State for the purpose of obtaining notices of public hearings relating to the promulgation of rules pursuant to M.S. 1971, Section 15.0412.

3) That on the 17th day of December, 1974, in response to the above request, the Secretary of State provided her with such a list, a copy of which is attached hereto and incorporated by reference.

Further affiant sayeth not.

Jane A. Turnquist

Subscribed and sworn to
before me this 19th day of December,
1974.

Notary Public, Hennepin County, Minnesota.
My commission expires 8/1/1977

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE THE PUBLIC SERVICE COMMISSION

Karl F. Rolvaag — Chairman
Ronald L. Anderson — Commissioner
Robert W. Carlson — Commissioner

In the Matter of Proposed Rules of the Minnesota Public Service Commission relating to Accounting and Financial Regulation of Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

NOTICE OF HEARING

PSC Docket No. A-8117-11

Notice is hereby given that a public hearing pursuant to Minn. Stat. Sec. 15.0412(4) (1971), will be held in St. Paul, Minnesota, in Courtroom No. 2, Seventh Floor of the Federal Courts Building, 316 No. Robert Street, January 28, 1975, through January 31, 1975, commencing each day at 10:00 a.m. (CST), and continuing until all representatives or interested groups of persons have had an opportunity to be heard concerning adoption of the proposed rules above-captioned by submitting either oral or written data, statements, or arguments. Statements or briefs may be submitted without appearing at the hearing. In addition, the record of the hearing will remain open for twenty (20) days following adjournment and written comments may also be submitted during this period.

The matters to be resolved at this hearing are:

I. ADOPTION OF PROPOSED GAS AND ELECTRIC UTILITY REGULATIONS REGARDING A UNIFORM SYSTEM OF ACCOUNTS AND REGARDING APPROVAL OF DEPRECIATION RATES AND METHODS.

These proposed regulations apply to private, cooperative and municipal gas and electric utilities.

A. SYSTEM OF ACCOUNTS: Adoption of FPC (Federal Power Commission) System of Accounts, exceptions to specific provisions, separation of Minnesota accounting information from non-Minnesota accounting information, separation of utility accounting information from non-utility accounting information, date system is to be implemented, and statements attesting to implementation.

B. APPROVAL OF DEPRECIATION RATES AND METHODS: Depreciation records, periodic filing of depreciation studies, maintenance of continuous property records, requiring straight-line method of depreciation, Commission approval of depreciation rates.

II ADOPTION OF PROPOSED GAS AND ELECTRIC UTILITY REGULATIONS REGARDING AUTOMATIC ADJUSTMENT CLAUSES.

These proposed regulations apply to private and cooperative gas and electric utilities.

A. AUTOMATIC ADJUSTMENT CLAUSES: Approval of fuel adjustment clauses, costs of fuel, purchased energy, and gross receipt taxes permitted for electric pass-through: costs of propane, other fuel, gross receipt taxes, and city gas rate costs permitted for gas pass-through; refunds of excess charges, storage costs excluded, data to be filed, exceptions to rules, Commission approval of individual clauses, date effective, discontinuance of certain clauses.

III. ADOPTION OF PROPOSED GAS AND ELECTRIC UTILITY REGULATIONS REGARDING CAPITAL STRUCTURE AND SECURITY ISSUANCE APPROVAL, ACQUISITION OF UTILITY PROPERTY, AND AFFILIATED INTERESTS.

These proposed regulations apply to private gas and electric utilities.

A. CAPITAL STRUCTURE AND SECURITY ISSUANCE APPROVAL: Filing requirements for short-term and long-term securities, petitions containing multiple issuances.

B. ACQUISITION OF UTILITY PROPERTY: Filing requirements, filing requirements when securities are consideration.

C. AFFILIATED INTERESTS: Approval of future contracts; filing requirements, filing of existing contracts and data, records to be maintained by utility.

Copies of the above rules and regulations are available at the Department of Public Service and will be available at the door on the date of the hearing.

BY ORDER OF THE COMMISSION
Elizabeth L. Henchman acting Secretary
/s/ LAWRENCE J. ANDERSON

Lawrence J. Anderson
Secretary

SERVICE DATE: December 19, 1974

(S E A L)

APPROVED BY COMM.

Approved of Record
12-16 1974
Secretary

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE THE PUBLIC SERVICE COMMISSION

Karl F. Rolvaag Chairman
Ronald L. Anderson Commissioner
Robert W. Carlson Commissioner

In the Matter of Proposed Rules of the Minnesota Public Service Commission relating to Accounting and Financial Regulation of Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

ORDER FOR HEARING

PSC Docket No. A-8117-11

IT APPEARING that under the provisions of Chapter 429 of Minnesota Laws of 1974, the Commission is required to regulate the gas and electric utility companies in the state of Minnesota and, therefore, must adopt rules and regulations in relation thereto with regard to the Accounting and Financial Procedures of the utilities to be regulated:

IT IS THEREFORE ORDERED:

O R D E R

That a public hearing on rules relating to the above be held in Courtroom No. 2, Seventh Floor of the Federal Courts Building, 316 No. Robert Street, St. Paul, Minnesota 55101, Tuesday, January 28 through Friday, January 31, 1975, commencing at 10:00 a.m. (CST) each day and continuing until all representatives of associations or other interested groups or persons have had an opportunity to be heard; and

IT IS FURTHER ORDERED that notice of said hearing be given to all representatives of associations or other interested groups or persons who have registered their names with the Secretary of State for that purpose and to all persons who are presently members of the Minnesota Legislature.

BY ORDER OF THE COMMISSION

Lawrence J. Anderson
Secretary

Dated at Saint Paul, Minnesota,
this 16th day of December, 1974.

(S E A L)

CERTIFICATION OF COMMISSION'S
AUTHORIZING RESOLUTION

I, Lawrence J. Anderson, do hereby certify that I am the duly appointed and acting Secretary of the Minnesota Public Service Commission, an agency authorized under the laws of the State of Minnesota, and that the following is a true, complete and correct copy of a motion made and passed at a meeting of the Commission duly and properly called and held on the 16th day of December, 1974; that a quorum was present at said meeting; that a majority of those present voted for the resolution; that said resolution is set forth in the Minutes of said meeting and that it has not been rescinded or modified:

Item 1047. It was moved and approved that a public hearing be convened on Tuesday, January 28, 1975, at 10:00 a.m., in Court Room No. 2, 7th Floor of the Federal Courts Building, 316 North Robert Street, St. Paul, Minnesota 55101, for the purpose of hearing the new proposed rules for accounting and financial regulation of gas and electric utilities pursuant to the provisions of M.S.A. Section 15.0412.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the seal of the Minnesota Public Service Commission.

Dated this 27th day of December, 1974.

Secretary

(S E A L)

PROPOSED MINNESOTA RULES AND REGULATIONS
RELATIVE TO THE AUTOMATIC ADJUSTMENT
OF CHARGES FOR PUBLIC UTILITY SERVICE
FOR GAS AND ELECTRIC REGULATION

CHAPTER ELEVEN - PSC 390-395

MINNESOTA PUBLIC SERVICE COMMISSION

DEPARTMENT OF PUBLIC SERVICE

PSC 390 Definitions

For the purpose of rules 390-395, the following definitions shall apply:

(a) "Annual Sales Volume" is the sum of the Mcf or Ccf of gas delivered during the most recent 12 months of the 14 month period preceding a change in the city gate rate or end of the heating season for which actual data is available.

(b) "Annual Demand Sales Volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding 3 year period, normalized for weather. Annual Demand sales volume shall include interruptible sales to the extent that demand cost is incurred to service interruptible customers.

(c) "Base Cost" is the cost of fuel consumed in the manufacture of gas or generation of electricity and purchased gas or purchased power in the base period expressed as a cost per kilowatt hour sold or cost per Mcf or Ccf sold.

(d) "Base Period" is the 12 month period during which the automatic adjustment of charges is set at zero.

(e) "City Gate Rate" is the demand or commodity rate charged a distribution gas utility by its supplier. It refers to the cost of gas at the point at which the distribution utility takes title to the gas.

(f) "Cost of Energy Purchased" is the cost of purchased power and net interchange defined by the Minnesota Uniform System of Accounts - Class A and B electric utilities, Account 555 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All electric public utilities shall use this definition regardless of class.

(g) "Cost of Fuel Consumed in the Generation of Electricity" is the cost of fossil and nuclear fuel.

(h) "Cost of Fossil Fuel" is the current period withdrawals from account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B utilities. All electric public utilities shall use this definition regardless of class.

(i) "Cost of Nuclear Fuel" is the current period charges and credits to Account 518, of the Minnesota Uniform System of Accounts - Class A and B electric utilities excluding any expenses for the cost of fossil fuel. All electric public utilities shall use this definition regardless of class.

(j) "Cost of Fuel Consumed in the Manufacture of Gas" is the withdrawals, during the heating season, from Account 151 as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities. All gas public utilities shall use this definition regardless of class.

(k) "Cost of purchased Gas" is the cost of gas as defined by the Minnesota Uniform System of Accounts - Class A and B gas utilities, Account 804, 808 and 809 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All gas public utilities shall use this definition regardless of class.

(l) "Current Period" is the most recent two month moving average used in computing an automatic adjustment of charges. Upon approval of the Commission, a self billing utility may use a longer period, not to exceed 12 months, provided that the provision contains a settlement procedure. All electric utilities shall use this definition.

(m) "Heating Season" is the period from October 1 to April 30.

(n) "Kilowatt-Hour Sales" is the kilowatt-hour delivered during the current or base period less interchange sales. This is the divisor used to obtain current period cost and base period cost per Kwh in PSC 392(b).

(o) "Public Utilities" is as defined by Section 2, Subdivision 4 of the Minnesota Public Utilities Act.

PSC 391 Applicability and Types of Automatic Adjustment of Charges

(a) The Commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided such provisions conform to PSC 392-395.

(b) PSC 390-395 shall be applicable to all classes of public utilities.

(c) Provisions for automatic adjustment of charges shall encompass:

(1) Changes in cost resulting from changes in the federally regulated wholesale rate for energy purchased and changes in the cost of fuel consumed in the generation of electricity. This provision is entitled electric energy adjustment.

(2) Changes in cost resulting from changes in the federally regulated wholesale rate for purchased gas and changes in the cost of fuel consumed in the manufacture of gas. This provision is entitled purchase gas adjustment.

PSC 392 Electric Energy Adjustment

The computations of the automatic adjustment to charges shall conform to the procedures set forth below:

(a) The amount of the billing period adjustment to charges shall be determined by extending Kwh of sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313.

(b) The adjustment per Kwh shall be the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base cost per Kwh.

(c) The adjustment to charges shall be made in the next complete billing period succeeding the determination of the adjustment per Kwh provided the adjustment has been filed as defined by PSC 394(b). The adjustment factor shall be calculated monthly. Except, upon Commission approval, a self billing utility may calculate the adjustment less frequently but at least annually and must provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount shall be rounded such that the projected recovery is within 2% of the change in total cost.

PSC 393 Purchase Gas Adjustment Provision

The computation of the automatic adjustment of charges shall conform to the procedures set forth below:

(a) The amount of the billing period adjustment to charges shall be determined by extending Mcf or Ccf sales in the billing period by an adjustment per Mcf or Ccf. The adjustment per Mcf or Ccf or the amount of the adjustment shall be stated on the customer's bill to comply with PSC 313.

(b) The adjustment per Mcf or Ccf is the sum of the commodity adjustment, demand adjustment and manufactured gas adjustment as computed below:

(1) The commodity adjustment is the difference between the commodity cost which results from a change in the city gate rate and the commodity base cost. To properly reflect adjustment per Mcf or Ccf billed, the divisor for a particular class of customer must include total sales volume delivered to that class of customer. The adjustment shall be applied to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by PSC 394(b).

(2) The demand adjustment is the difference between the annual demand cost which results from a change in the city gate rate and the demand base cost. In the event the demand city gate rate does not change the demand adjustment shall be recalculated for each 12 month period from the date of the last change. The adjustment shall be computed on the basis of annual demand sales volume and applied to billings after the effective date of the demand rate change provided the adjustment has been filed as defined by PSC 394(b).

(3) The manufactured gas adjustment is the difference between the cost of propane and other fuel consumed in the manufacture of gas during the heating season and the manufactured gas base cost. The manufactured gas adjustment shall be computed annually for the heating season ending April 30 of each year on the basis of firm annual sales volume adjusted to the extent manufactured gas is used to serve interruptible customers. The cost of

manufactured gas shall be applied to interruptible customers. The adjustment shall be applied to billings during the next 12 month period commencing on June 1 of each year provided the adjustment has been filed as defined by PSC 394(b).

(c) Refunds and interest thereon received from the suppliers of purchased gas which are attributable to the cost of gas previously sold shall be refunded by credits to bills or check within a period not to exceed 12 months. The utility shall add interest to the unrefunded balance at the prime interest rate as defined by PSC 400(b).

PSC 394 Filing Requirements and Approvals Electric Energy and Purchase Gas Adjustments

(a) All public utilities shall file annually on October 31 of each year, the procurement policies for selecting sources of fuel and energy purchased and dispatching policies, if applicable, and a summary of actions taken to minimize cost.

(b) Whenever a public utility changes its automatic adjustment of charges, the utility shall prior to the effective date, file the following:

(1) A summary of the computation of the adjustment.

(2) An explanation of significant changes between the base cost and current cost. Changes for electric utilities shall be quantified as to price, mix, thermal efficiency and distribution loss. Changes for gas utilities shall be quantified as to price and mix changes.

(3) A computation of standard cost for the current reporting period, if available. The standard cost for this computation may be either the planned or budgeted cost of fuel or simulation of the cost of fuel under normal operating and purchasing limits for the adjustment period or current period.

(c) Automatic adjustment of charges shall be provisionally approved and may be placed into effect without Commission action, but subject to the conditions specified in PSC 394(d) and (e).

(d) Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate as defined by PSC 400(b) upon the order of the Commission provided that:

(1) Such order is served within 90 days after the receipt of the filing defined in rule PSC 394(b) or at the end of the next major rate proceeding, which ever is later.

(2) The amount of the error is greater than 5% of the corrected adjustment charge.

(e) The Commission may upon complaint or upon its own motion, after appropriate investigation, notice and hearing, issue an order to fix at current levels, discontinue or modify an automatic adjustment provision for an individual utility.

PSC 395 Implementation

(a) Existing automatic adjustment provisions in effect as of December 31, 1974 which will not result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall continue in effect until the Commission upon its own motion or upon complaint, after appropriate notice and hearing, shall order otherwise.

(b) Adjustments made pursuant to automatic adjustment provisions in effect as of December 31, 1974, which may result in adjustment amounts materially greater than those determined by PSC 390 to 395 shall be frozen by the utility at the level of charges in effect at the effective date of PSC 390 to 395. The existing

level of any such automatic adjustments shall, on the effective date of PSC 390 to 395, be submitted to the Department of Public Service within 30 days.

(c) Newly proposed or revisions to or discontinuance of electric energy or purchased gas adjustment provisions shall be deemed to be a change in rates and Rules of Practice PSC 500 through 517 shall apply to such changes.

(d) If existing automatic adjustments of charges are continued under the provision of PSC 395(a) then the filing as defined by PSC 394(b) shall apply.