

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

Attorney General

Larry K. Salustro
Special Assistant
Attorney General

July 14, 1978

Lee E. Sheehy
Special Assistant
Attorney General

296-1288

Rules as Approved - Public Service Commission Rules 400-407

Enclosed herewith are the rules you have submitted for approval. These rules have been approved by this office and filed with the Secretary of State. Note that they have NOT been filed with the State Register; this must be done promptly by your agency.

Upon receipt and before transmittal to your agency, however, it is important that you recheck these rules as to:

1. Affixation of the stamps of the Attorney General and Secretary of State to the last page of the rules;

2. Coverage by these stamps of all rules submitted; and

3. Inclusion of all pages of the rules in the approved set.

Directly following the approved rules is a complete set of required documents and transcript which must be retained with the rules by you or your agency.

Finally, in regard to the "staleness" due process issue, both statutory law and appellate precedent are entirely silent on that issue in this state. As such, the agency's argument prevails as uncontradicted by legislative or judicially imposed requirements.

If you have any questions in this regard, please contact me.

LES:mb

Enclosure

#439 Public Service

RULES REVIEW CHECKLIST

DATE RULES RECEIVED 6/22/78 Temporary Rule _____

Resubmitted and Received _____

DUE DATE 7/12

a. Returned to Agency w/o filing w/Secy of State _____
b. Approved _____ Date Sent Back to Agency _____

- -

1. Rules as Adopted ✓
2. Rules as Proposed ✓
3. Certificate of Board's Authorizing Resolution, where applicable ✓
4. Order for Hearing ✓
5. Notice of Hearing ✓
   (i) Sufficiency _____
6. Secretary of State's List ✓
7. Certificate of Acquisition of Secretary of State's List ✓
8. Affidavit of Mailing ✓
   (i) At least 30 days prior to hearing ✓
9. Statement of Need and Evidence ✓
10. Hearing Examiner's Report N.A.
11. Agency's Findings of Fact ✓
12. Certificate of Board's Resolution Adopting Rules, where applicable ✓
13. Order Adopting ✓
14. Report of Chief Hearing Examiner N.A.
    (i) Finding of No Substantial Change N.A.
    (ii) Permission to Incorporate by Reference, where applicable N.A.
15. Certificate of Compliance with Rulemaking Procedures ✓
16. Copy of Notice of Intent to Solicit Outside Opinion, where applicable N.A.
17. Petition by Public, where applicable N.A.

PSC [redacted]

Cull to Salvation
7-12-78

p.1 PSC 400 (c) Citation unclear
* Typo "390", not 300 ← See p.7 - Order & Finding

p.2 (H) ↑ 300-395 covers much more
The auto adj. cases

p.2 (M) Citation unclear
not form a legality issue

p.4 B(2) All excuses refunded in 1st billing?
Last Sen: From "eff date" or from "date put into eff"?

p.5 - C(2) Are PSC Procedures preempted by HE Procedures? See p.15 of Finding, too OK.
* - "procedures" misspelled

p.6 Confusion over as "deemed appropriate" fr p.18 of Finding OK. given B.

7/6/78 Chg - No effect?

~~p.10~~ 406 "relevant"

ADMIN 1000 (Rev. 1/78)

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : LEE SHEEHY
Special Assistant
Attorney General

DATE: July 13, 1978

FROM : LARRY SALUSTRO
Special Assistant
Attorney General

PHONE: 6-0410

SUBJECT: ATTACHED RULES, PSC 400-407

Please find attached three copies of the rules adopted by the Minnesota Public Service Commission which make the following corrections to typographical errors in the rules previously submitted to your office:

PSC 400 H., final line:

delete "300-395." and insert "390-395."

PSC 401 C.2:

delete "procdures" and insert "procedures".

The uncorrected rules previously furnished can be discarded.

Thank you for your assistance.

LS/sw

MINNESOTA RULES AND REGULATIONS
RELATING TO THE PUBLIC SERVICE COMMISSION

GAS AND ELECTRIC UTILITIES PSC 400-407
CHANGE IN RATES

PSC 400 Definitions for changes in rates. For the purposes of rules 400-403 and 405-406, the following definitions shall apply.

A. "Average" means a thirteen-month average or a simple average of beginning and end of year data when data is not available to calculate a thirteen-month average.

B. "Average 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 utility's proposed rates are suspended. 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.

C. "Capital structure" means the total capitalization of the public utility as defined in Section 49, Subdivision 2 of the Minnesota Public Utilities Act and including short-term securities.

D. "Embedded cost" of long-term debt or preferred stock means the average cost for all outstanding issues of debt or preferred stock at a given date.

E. "General rate change" means an overall change in rates for which the determination of the utility's gross revenue requirements is necessary in assessing the appropriateness of the change in rates.

F. "Gross revenue conversion factor" means the incremental amount of gross revenue required to generate an additional dollar of operating income.

G. "Jurisdictional" means the utility's total Minnesota operations.

H. "Miscellaneous rate change" means a change in any compensation, charge, fare, toll, tariff, rental or classification, demanded, observed, charged, or collected for any service and any rules, regulations, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification for which a determination of the utility's gross revenue requirements is not necessary in determining the reasonableness of a proposed change in rates. Miscellaneous rate changes as used herein shall not include changes in amounts charged which the utility has effectuated pursuant to an existing automatic adjustment clause in accordance with the provisions of PSC 390 -395.

I. "Most recent fiscal year" is the utility's prior fiscal year unless notice of a change in rates is filed with the Commission within the last three months of the current fiscal year and at least nine months of historical data is available for presentation of current fiscal year financial information, in which case the most recent fiscal year is deemed to be the current fiscal year.

J. "Projected change" means the change from the normalized most recent fiscal year reflecting growth and known changed operating conditions from those existing in the most recent year.

K. "Projected fiscal year" is the fiscal year immediately following the most recent fiscal year.

L. "Proposed" means utility proposed.

M. "Rate" is as defined in Section 2, subd. 5, Minnesota Public Utilities Act.

N. "Rate base" for the most recent fiscal year and the projected fiscal year shall be an original cost rate base.

O. "Short-term debt" means short-term security as defined in PSC 370.

P. "Test year" is the twelve-month period selected by the utility for the purpose of expressing its need for a change in rates.

Q. "Total utility" when used to describe information requirements, means either:

1. The combined jurisdictional and, if any, non-jurisdictional gas or electric operations of a utility, and excluding non-utility property; or

2. The gas or electric operations of a utility's wholly-owned subsidiary operating within Minnesota and excluding non-utility operations.

R. "Utility" is defined as in Section 2, subd. 4, of the Minnesota Public Utilities Act and shall include the controlling corporation of any Minnesota public utility.

S. "Weighted cost of capital" is the total cost of capital determined by weighting the cost of each component of the capital structure by the ratio of the capital represented by that component to total capital.

PSC 401 Rate change procedures.

A. Notice of change in rates. A utility filing for a change in rates shall serve notice to the commission at least ninety (90) days prior to the proposed effective date of the modified rates. Such notice shall include the items prescribed below for:

1. General rate changes.

a. Proposal for change in rates as prescribed in PSC 402.

b. Modified rates as prescribed in PSC 403.

c. Expert opinions and supporting exhibits as prescribed in PSC 404.

d. Informational requirements as prescribed in PSC 405.

e. Statement indicating the method of insuring the payment of refunds as prescribed in PSC 401B.

2. Miscellaneous rate changes.

a. Proposal for change in rates as prescribed by PSC 402.

b. Substantiating documents and exhibits supporting the change requested.

c. Modified rates as prescribed in PSC 403.

d. Statement indicating the method of insuring the payment of refunds as prescribed in PSC 401B.

B. Methods and procedures for refunding.

1. In the event that a hearing is ordered by the commission as a result of a change in rates and proposed rates are suspended, the commission shall allow the utility to place suspended rates into effect as to services to be rendered on or subsequent to the effective date of the change in rates, subject to refund of the increase in rates or part thereof determined to be unreasonable by the commission provided that the payment of refunds is insured under either of the following methods:

a. File with the commission a bond, signed by an authorized official of the utility, in an amount and with sureties approved by the commission; or

b. File with the commission an unqualified agreement, signed by an authorized official of the utility, to refund any portion of the increase in rates determined to be unreasonable together with interest thereon.

2. Any increase in rates or part thereof determined by the commission to be unreasonable shall be refunded to customers or credited to customers' accounts within ninety (90) days from the effective date of the commission order and determined in a manner prescribed by the commission including interest at the average prime interest rate computed from the effective date of the proposed rates through the date of refund or credit.

C. **Procedures subsequent to notice.**

1. Any amended notice shall be served at least ninety (90) days prior to the proposed effective date of modified rates.

2. If a notice or an amended notice is complete in all material respects as prescribed by PSC 400-405, the commission shall follow the **procedures outlined** in the Rules of Practice, PSC 500-517.

3. Upon acceptance of the notice and the determination that a hearing shall be conducted, but before the proposed effective date of the modified rate schedules, the commission may, by written directive, explaining the reasons therefor, signed by the authority of the commission, and served upon the utility, suspend the operation of the utility's modified rate schedules but not for a longer period than ninety (90) days beyond the time when the modified rates would otherwise go into effect unless the commission shall find that a longer time will be required, in which case the commission may further extend the period for not to exceed a total of nine (9) months.

4. Such directive shall include authority for the utility to place suspended rates into effect, subject to refund, provided that the bond and sureties or that the agreement to refund as specified in PSC 401B.1 is approved by the commission.

PSC 402 Proposal for change in rates. The utility's proposal for a change in rates shall summarize the notice of change in rates and shall include the following information.

A. Name, address, and telephone number of the utility without abbreviation and the name and address and telephone number of the attorney for the utility, if there be one.

B. Date of filing and date modified rates are effective.

C. Description and purpose of the change in rates requested.

D. Effect of the change in rates expressed in gross revenue dollars and as a percentage of test year gross revenue.

E. Signature and title of utility officer authorizing the proposal.

PSC 403 Modified rates.

A. All proposed changes in rates shall be shown by filing revised or new pages to the rate book previously filed with the commission and by identifying those pages which were not changed.

B. Each revised or new page of the rate book shall contain the information required for each page of the rate book and shall be in a format consistent with the currently filed rate book. In addition, each revised page shall contain the revision number and the page number of the revised page.

PSC 404 Expert opinions and supporting exhibits.

A. Expert opinions and supporting exhibits shall include written statements, in question and answer format, together with supporting exhibits of utility personnel and other expert witnesses as deemed appropriate by the utility in support of the proposal.

B. At a minimum, expert opinions shall include a statement by the chief executive officer or other designated official in support of the proposal.

C. Supporting exhibits may be the same as those prescribed by PSC 405 or may make reference where appropriate to the information requirements prescribed by PSC 405

PSC 405 Information requirements. The following information shall be supplied as a part of the utility's notice of a change in rates. Information requirements A, B.1, C.1, D.1, E.1 and E.2 as defined herein shall be supplied by all gas and electric utilities and all other information requirements prescribed by PSC 405 shall be supplied where applicable to the utility. Illustrative forms for filing this information shall be available from the Minnesota department of public service.

A. A jurisdictional financial summary schedule shall be filed showing:

1. The proposed rate base, operating income, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the test year.

2. The actual unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income, overall rate of return, and the calculation of income requirements, income deficiency and revenue requirements for the most recent fiscal year.

3. The projected unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income under present rates, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the projected fiscal year.

B. Rate base schedules.

1. A rate base summary schedule by major rate base component (e.g. plant in service, construction work in progress, and plant held for future use)

showing the proposed rate base, the unadjusted average rate base for the most recent fiscal year and unadjusted average rate base for the projected fiscal year. The totals for this schedule shall agree with the rate base amounts included in the financial summary.

2. A comparison of total utility and Minnesota jurisdictional rate base amounts by detailed rate base component showing:

a. Total utility and the proposed jurisdictional rate base amounts for the test year including the adjustments, if any, used in determining the proposed rate base.

b. The unadjusted average total utility and jurisdictional rate base amounts for the most recent fiscal year and the projected fiscal year.

3. Adjustment schedules, if any, showing the title, purpose and description and the summary calculations of each adjustment used in determining the proposed jurisdictional rate base.

4. A summary by rate base component of the assumptions made and the approaches used in determining average unadjusted rate base for the projected fiscal year. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.

5. For multi-jurisdictional utilities only, a summary by rate base component of the jurisdictional allocation factors used in allocating the total utility rate base amounts to the Minnesota jurisdiction. This summary shall be supported by a schedule showing for each allocation factor the total utility and jurisdictional statistics used in determining the proposed rate base and the Minnesota jurisdictional rate base for the most recent fiscal year and the projected fiscal year.

C. Operating income schedules.

1. A summary schedule of jurisdictional operating income statements which reflect proposed test year operating income, and unadjusted jurisdictional operating income for the most recent fiscal year and the projected fiscal year calculated using present rates.

2. For multi-jurisdictional utilities only, a schedule showing the comparison of total utility and unadjusted jurisdictional operating income statement for the test year, for the most recent fiscal year and the projected fiscal year. In addition, the schedule shall provide the proposed adjustments, if any, to jurisdictional operating income for the test year together with the proposed operating income statement.

3. For investor-owned utilities only, a summary schedule showing the computation of total utility and allocated Minnesota jurisdictional federal and state income tax expense and deferred income taxes for the test year, the most recent fiscal year, and the projected fiscal year. This summary schedule shall be supported by a detailed schedule, showing the development of the combined federal and state income tax rates.

4. A summary schedule of adjustments, if any, to jurisdictional test year operating income and detailed schedules for each adjustment providing an adjustment title, purpose and description of the adjustment and summary calculations.

5. A schedule summarizing the assumptions made and the approaches used in projecting each major element of operating income. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.

6. For multi-jurisdictional utilities only, a schedule providing, by operating income element, the factor or factors used in allocating total utility

operating income to Minnesota jurisdiction. This schedule shall be supported by a schedule which sets forth the statistics used in determining each jurisdictional allocation factor for the test year, the most recent fiscal year and the projected fiscal year.

D. Rate of return/cost of capital schedules.

1. A rate of return/cost of capital summary schedule showing the calculation of the weighted cost of capital using the proposed capital structure and the average capital structures for the most recent fiscal year and the projected fiscal year. This information shall be provided for the unconsolidated parent and subsidiary corporations, or for the consolidated parent corporation.

2. Supporting schedules showing the calculation of the embedded cost of long-term debt, if any, and the embedded cost of preferred stock, if any, at the end of the most recent fiscal year and the projected fiscal year.

3. Schedule showing average short-term securities for the proposed test year, most recent fiscal year and the projected fiscal year.

E. Rate structure and design information.

1. A summary comparison of test year operating revenue under present and proposed rates by customer class of service showing the difference in revenue and the percentage change.

2. A detailed comparison of test year operating revenue under present and proposed rates by type of charge including minimum, demand, energy by block, gross receipts, automatic adjustments and other charge categories within each rate schedule and within each customer class of service.

3. A cost of service study by customer class of service, by geographic area, or other categorization as deemed appropriate for the change in rates requested, showing revenues, costs and profitability for each class of service, geographic

area, or other appropriate category, identifying the procedures and underlying rationale for cost and revenue allocations. Such study is appropriate whenever the utility proposes a change in rates which results in a material change in its rate structure.

F. Other supplemental information.

1. Annual report to stockholders or members including financial statements and statistical supplements for the most recent fiscal year. If a utility is not audited by an independent public accountant, unaudited financial statements will satisfy this filing requirement.

2. For investor-owned utilities only, a schedule showing the development of the gross revenue conversion factor.

3. For cooperatives only, REA Form 7 - Financial and Statistical Report for the last month of the most recent fiscal year.

4. For cooperatives only, REA Form 7A - Annual Supplement to Financial and Statistical Report.

5. For REA cooperatives only, REA Form 325 - Financial Forecast.

PSC 406 Additional information requests. Upon review of a utility's notice of a change in rates or subsequent thereto, the commission may request a utility to provide additional information to supplement the information prescribed by PSC 405 within a reasonable time as determined by the commission.

PSC 407 Waiver. The commission may waive any requirement contained in these rules, upon written application, for good cause shown.

APPROVED AS TO FORM AND LEGALITY

JUL. 12 1978 19____

WARREN SPANNAUS, ATTORNEY GENERAL

BY _____

SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JUL 14 1978
Joan Anderson Growe
Secretary of State
8:45 a.m.

MINNESOTA RULES AND REGULATIONS
RELATING TO THE PUBLIC SERVICE COMMISSION

GAS AND ELECTRIC UTILITIES PSC 400-407
CHANGE IN RATES

PSC 400 Definitions for changes in rates. For the purposes of rules 400-403 and 405-406, the following definitions shall apply.

A. "Average" means a thirteen-month average or a simple average of beginning and end of year data when data is not available to calculate a thirteen-month average.

B. "Average 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 utility's proposed rates are suspended. 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.

C. "Capital structure" means the total capitalization of the public utility as defined in Section 49, Subdivision 2 of the Minnesota Public Utilities Act and including short-term securities.

D. "Embedded cost" of long-term debt or preferred stock means the average cost for all outstanding issues of debt or preferred stock at a given date.

E. "General rate change" means an overall change in rates for which the determination of the utility's gross revenue requirements is necessary in assessing the appropriateness of the change in rates.

F. "Gross revenue conversion factor" means the incremental amount of gross revenue required to generate an additional dollar of operating income.

G. "Jurisdictional" means the utility's total Minnesota operations.

H. "Miscellaneous rate change" means a change in any compensation, charge, fare, toll, tariff, rental or classification, demanded, observed, charged, or collected for any service and any rules, regulations, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification for which a determination of the utility's gross revenue requirements is not necessary in determining the reasonableness of a proposed change in rates. Miscellaneous rate changes as used herein shall not include changes in amounts charged which the utility has effectuated pursuant to an existing automatic adjustment clause in accordance with the provisions of PSC 300-395.

I. "Most recent fiscal year" is the utility's prior fiscal year unless notice of a change in rates is filed with the Commission within the last three months of the current fiscal year and at least nine months of historical data is available for presentation of current fiscal year financial information, in which case the most recent fiscal year is deemed to be the current fiscal year.

J. "Projected change" means the change from the normalized most recent fiscal year reflecting growth and known changed operating conditions from those existing in the most recent year.

K. "Projected fiscal year" is the fiscal year immediately following the most recent fiscal year.

L. "Proposed" means utility proposed.

M. "Rate" is as defined in Section 2, subd. 5, Minnesota Public Utilities Act.

N. "Rate base" for the most recent fiscal year and the projected fiscal year shall be an original cost rate base.

O. "Short-term debt" means short-term security as defined in PSC 370.

P. "Test year" is the twelve-month period selected by the utility for the purpose of expressing its need for a change in rates.

Q. "Total utility" when used to describe information requirements, means either:

1. The combined jurisdictional and, if any, non-jurisdictional gas or electric operations of a utility, and excluding non-utility property; or

2. The gas or electric operations of a utility's wholly-owned subsidiary operating within Minnesota and excluding non-utility operations.

R. "Utility" is defined as in Section 2, subd. 4, of the Minnesota Public Utilities Act and shall include the controlling corporation of any Minnesota public utility.

S. "Weighted cost of capital" is the total cost of capital determined by weighting the cost of each component of the capital structure by the ratio of the capital represented by that component to total capital.

PSC 401 Rate change procedures.

A. Notice of change in rates. A utility filing for a change in rates shall serve notice to the commission at least ninety (90) days prior to the proposed effective date of the modified rates. Such notice shall include the items prescribed below for:

1. General rate changes.

a. Proposal for change in rates as prescribed in PSC 402.

b. Modified rates as prescribed in PSC 403.

c. Expert opinions and supporting exhibits as prescribed in PSC 404.

d. Informational requirements as prescribed in PSC 405.

e. Statement indicating the method of insuring the payment of refunds as prescribed in PSC 401B.

2. Miscellaneous rate changes.

a. Proposal for change in rates as prescribed by PSC 402.

b. Substantiating documents and exhibits supporting the change requested.

c. Modified rates as prescribed in PSC 403.

d. Statement indicating the method of insuring the payment of refunds as prescribed in PSC 401B.

B. Methods and procedures for refunding.

1. In the event that a hearing is ordered by the commission as a result of a change in rates and proposed rates are suspended, the commission shall allow the utility to place suspended rates into effect as to services to be rendered on or subsequent to the effective date of the change in rates, subject to refund of the increase in rates or part thereof determined to be unreasonable by the commission provided that the payment of refunds is insured under either of the following methods:

a. File with the commission a bond, signed by an authorized official of the utility, in an amount and with sureties approved by the commission; or

b. File with the commission an unqualified agreement, signed by an authorized official of the utility, to refund any portion of the increase in rates determined to be unreasonable together with interest thereon.

2. Any increase in rates or part thereof determined by the commission to be unreasonable shall be refunded to customers or credited to customers' accounts within ninety (90) days from the effective date of the commission order and determined in a manner prescribed by the commission including interest at the average prime interest rate computed from the effective date of the proposed rates through the date of refund or credit.

C. **Procedures subsequent to notice.**

1. Any amended notice shall be served at least ninety (90) days prior to the proposed effective date of modified rates.

2. If a notice or an amended notice is complete in all material respects as prescribed by PSC 400-405, the commission shall follow the procdures outlined in the Rules of Practice, PSC 500-517.

3. Upon acceptance of the notice and the determination that a hearing shall be conducted, but before the proposed effective date of the modified rate schedules, the commission may, by written directive, explaining the reasons therefor, signed by the authority of the commission, and served upon the utility, suspend the operation of the utility's modified rate schedules but not for a longer period than ninety (90) days beyond the time when the modified rates would otherwise go into effect unless the commission shall find that a longer time will be required, in which case the commission may further extend the period for not to exceed a total of nine (9) months.

4. Such directive shall include authority for the utility to place suspended rates into effect, subject to refund, provided that the bond and sureties or that the agreement to refund as specified in PSC 401B.1 is approved by the commission.

PSC 402 Proposal for change in rates. The utility's proposal for a change in rates shall summarize the notice of change in rates and shall include the following information.

A. Name, address, and telephone number of the utility without abbreviation and the name and address and telephone number of the attorney for the utility, if there be one.

B. Date of filing and date modified rates are effective.

C. Description and purpose of the change in rates requested.

D. Effect of the change in rates expressed in gross revenue dollars and as a percentage of test year gross revenue.

E. Signature and title of utility officer authorizing the proposal.

PSC 403 Modified rates.

A. All proposed changes in rates shall be shown by filing revised or new pages to the rate book previously filed with the commission and by identifying those pages which were not changed.

B. Each revised or new page of the rate book shall contain the information required for each page of the rate book and shall be in a format consistent with the currently filed rate book. In addition, each revised page shall contain the revision number and the page number of the revised page.

PSC 404 Expert opinions and supporting exhibits.

A. Expert opinions and supporting exhibits shall include written statements, in question and answer format, together with supporting exhibits of utility personnel and other expert witnesses as deemed appropriate by the utility in support of the proposal.

B. At a minimum, expert opinions shall include a statement by the chief executive officer or other designated official in support of the proposal.

C. Supporting exhibits may be the same as those prescribed by PSC 405 or may make reference where appropriate to the information requirements prescribed by PSC 405

PSC 405 Information requirements. The following information shall be supplied as a part of the utility's notice of a change in rates. Information requirements A, B.1, C.1, D.1, E.1 and E.2 as defined herein shall be supplied by all gas and electric utilities and all other information requirements prescribed by PSC 405 shall be supplied where applicable to the utility. Illustrative forms for filing this information shall be available from the Minnesota department of public service.

A. A jurisdictional financial summary schedule shall be filed showing:

1. The proposed rate base, operating income, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the test year.

2. The actual unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income, overall rate of return, and the calculation of income requirements, income deficiency and revenue requirements for the most recent fiscal year.

3. The projected unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income under present rates, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the projected fiscal year.

B. Rate base schedules.

1. A rate base summary schedule by major rate base component (e.g. plant in service, construction work in progress, and plant held for future use)

showing the proposed rate base, the unadjusted average rate base for the most recent fiscal year and unadjusted average rate base for the projected fiscal year. The totals for this schedule shall agree with the rate base amounts included in the financial summary.

2. A comparison of total utility and Minnesota jurisdictional rate base amounts by detailed rate base component showing:

a. Total utility and the proposed jurisdictional rate base amounts for the test year including the adjustments, if any, used in determining the proposed rate base.

b. The unadjusted average total utility and jurisdictional rate base amounts for the most recent fiscal year and the projected fiscal year.

3. Adjustment schedules, if any, showing the title, purpose and description and the summary calculations of each adjustment used in determining the proposed jurisdictional rate base.

4. A summary by rate base component of the assumptions made and the approaches used in determining average unadjusted rate base for the projected fiscal year. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.

5. For multi-jurisdictional utilities only, a summary by rate base component of the jurisdictional allocation factors used in allocating the total utility rate base amounts to the Minnesota jurisdiction. This summary shall be supported by a schedule showing for each allocation factor the total utility and jurisdictional statistics used in determining the proposed rate base and the Minnesota jurisdictional rate base for the most recent fiscal year and the projected fiscal year.

C. Operating income schedules.

1. A summary schedule of jurisdictional operating income statements which reflect proposed test year operating income, and unadjusted jurisdictional operating income for the most recent fiscal year and the projected fiscal year calculated using present rates.

2. For multi-jurisdictional utilities only, a schedule showing the comparison of total utility and unadjusted jurisdictional operating income statement for the test year, for the most recent fiscal year and the projected fiscal year. In addition, the schedule shall provide the proposed adjustments, if any, to jurisdictional operating income for the test year together with the proposed operating income statement.

3. For investor-owned utilities only, a summary schedule showing the computation of total utility and allocated Minnesota jurisdictional federal and state income tax expense and deferred income taxes for the test year, the most recent fiscal year, and the projected fiscal year. This summary schedule shall be supported by a detailed schedule, showing the development of the combined federal and state income tax rates.

4. A summary schedule of adjustments, if any, to jurisdictional test year operating income and detailed schedules for each adjustment providing an adjustment title, purpose and description of the adjustment and summary calculations.

5. A schedule summarizing the assumptions made and the approaches used in projecting each major element of operating income. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.

6. For multi-jurisdictional utilities only, a schedule providing, by operating income element, the factor or factors used in allocating total utility

operating income to Minnesota jurisdiction. This schedule shall be supported by a schedule which sets forth the statistics used in determining each jurisdictional allocation factor for the test year, the most recent fiscal year and the projected fiscal year.

D. Rate of return/cost of capital schedules.

1. A rate of return/cost of capital summary schedule showing the calculation of the weighted cost of capital using the proposed capital structure and the average capital structures for the most recent fiscal year and the projected fiscal year. This information shall be provided for the unconsolidated parent and subsidiary corporations, or for the consolidated parent corporation.

2. Supporting schedules showing the calculation of the embedded cost of long-term debt, if any, and the embedded cost of preferred stock, if any, at the end of the most recent fiscal year and the projected fiscal year.

3. Schedule showing average short-term securities for the proposed test year, most recent fiscal year and the projected fiscal year.

E. Rate structure and design information.

1. A summary comparison of test year operating revenue under present and proposed rates by customer class of service showing the difference in revenue and the percentage change.

2. A detailed comparison of test year operating revenue under present and proposed rates by type of charge including minimum, demand, energy by block, gross receipts, automatic adjustments and other charge categories within each rate schedule and within each customer class of service.

3. A cost of service study by customer class of service, by geographic area, or other categorization as deemed appropriate for the change in rates requested, showing revenues, costs and profitability for each class of service, geographic

area, or other appropriate category, identifying the procedures and underlying rationale for cost and revenue allocations. Such study is appropriate whenever the utility proposes a change in rates which results in a material change in its rate structure.

F. Other supplemental information.

1. Annual report to stockholders or members including financial statements and statistical supplements for the most recent fiscal year. If a utility is not audited by an independent public accountant, unaudited financial statements will satisfy this filing requirement.

2. For investor-owned utilities only, a schedule showing the development of the gross revenue conversion factor.

3. For cooperatives only, REA Form 7 - Financial and Statistical Report for the last month of the most recent fiscal year.

4. For cooperatives only, REA Form 7A - Annual Supplement to Financial and Statistical Report.

5. For REA cooperatives only, REA Form 325 - Financial Forecast.

PSC 406 Additional information requests. Upon review of a utility's notice of a change in rates or subsequent thereto, the commission may request a utility to provide additional information to supplement the information prescribed by PSC 405 within a reasonable time as determined by the commission.

PSC 407 Waiver. The commission may waive any requirement contained in these rules, upon written application, for good cause shown.

ADMIN 1000 (Rev. 1/78)

STATE OF MINNESOTA

DEPARTMENT Public Service

Office Memorandum

TO : Michael B. Miller
Special Assistant
Attorney General
G25 Administration Building

DATE: 6/22/78

RECEIVED
JUN 22 1978
ATTORNEY GENERAL
ADMINISTRATIVE AGENCIES

FROM : Sharon Schmidt

PHONE: 6-6007

SUBJECT: Minn. Rules PSC 400-407

Enclosed for filing are rules adopted by the Public Service Commission relating to gas and electric utilities changes in rates. The documents listed on the attached Appendix "A" are transmitted herewith for your review and approval. Also attached is a memorandum from Jerry Getz.

When reviewing the resolution adopted by the Commission on December 30, 1974, it was found that the resolution does not specifically authorize the Secretary of the Commission to execute theddocuments required to promulgate the captioned rules. Therefore, the Commission will approve an order at its June 26th meeting ratifying the actions of the Secretary. I will forward the original and one copy of the ratification to you at that time.

If you have any questions regarding Minn. Rules PSC 400-407, please give Jerry Getz (6-6030) or myself (6-6007) a call.

/s

Attachments

APPENDIX "A"

1. Rules as adopted (Original & 5 copies)
2. Rules as proposed (Original and one copy).
3. Original Transcript, Original Exhibits and Original Written Comments.
4. Certificate of Commission's Authorizing Resolution (Original and one copy).
5. Order for Hearing (Original and one copy).
6. Notice of Hearing (Original and one copy).
7. Affidavit of Acquisition of Mailing List (Original and one copy).
8. Secretary of State's Certificate (Original and one copy).
9. Affidavit of Mailing (Original and one copy).
10. Statement of Need (Original and one copy).
11. Agency's Findings of Fact (Original and one copy).
12. Certificate of Commission's Adoption of Rules Resolution (Original and one copy).
13. Order Adopting Rules (Original and one copy).
14. Commission Work Papers (One copy)
15. Statement of Compliance (Original and one copy).

ADMIN 1000 (Rev. 1/78)

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO : MIKE MILLER
Special Assistant
Attorney General

DATE: June 13, 1978

FROM : JEROME L. GETZ
Assistant Attorney General

PHONE: 6030

SUBJECT: RULES RELATIVE TO CHANGE IN RATES FOR GAS AND ELECTRIC REGULATION, MINN. RULES PSC 400-407

Attached are the supporting documents for the Commission's proposed rules relating to changes in rates for gas and electric regulation, Minn. Rules PSC 400-407. These rules went to hearing in early 1975. You will recall that we discussed earlier my concern about the period of time which has elapsed between the hearing and the enactment. I am grateful for your opinion that this is not a due process problem. A spread sheet showing the changes from the original rules is also included for your convenience. If you have any problems or questions, please do not hesitate to give me a call.

JLG/sw

ADMIN 1000 (Rev. 1/78)

STATE OF MINNESOTA

DEPARTMENT Public Service

Office Memorandum

TO : Michael B. Miller
Special Assistant
Attorney General
G25 Administration Building

DATE: 6/28/78

FROM : Sharon Schmidt

PHONE: 6-6007

RECEIVED
JUN 28 1978
ATTORNEY GENERAL
ADMINISTRATIVE AGENCIES

SUBJECT: Minn. Rules PSC 400-407

As I noted in my memo to you dated June 22, enclosed is the original and one copy of the Certificate of Commission's Ratification of Orders for Hearing and Adopting Rules.

/ss

CERTIFICATE OF COMMISSION'S RATIFICATION

OF ORDERS FOR HEARING AND ADOPTING RULES

PSC Docket No. A-8117-12

Approved of record
6/24/ 1978
Secretary

I, Leo Ambrose, do hereby certify that I am Secretary of the Minnesota Public Service Commission, an agency 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 Commission duly and properly called and held on June 26, 1978, that a quorum was present at the meeting, that a majority of those present voted for the resolution, that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

RESOLVED, that the Commission hereby ratifies and confirms the execution in the captioned docket of its Order for Hearing dated December 30, 1975 **(sic)**, and its Notice of Hearing dated January 10, 1975, by Lawrence J. Anderson, its then Secretary, and it further ratifies and confirms the execution of its Order Adopting Rules dated June 19, 1978, by Leo J. Ambrose, its present Secretary.

Dated: June 26, 1978

LEO J. AMBROSE, Secretary

Sharon A. Schmidt
Attest
(Assistant Secretary)

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

AFFIDAVIT

David L. Elling, being first duly sworn, upon oath deposes and say :

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

2) That on the 8th day of January, 1975 he 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 8th day of January, 1975 in response to the above request, the Secretary of State provided him with such a list, a copy of which is attached hereto and incorporated by reference.

Further affiant saith not.

David L. Elling

Subscribed and sworn to before me,
a notary public, this 8th day of
January, 1975.

SHARON A. SCHMIDT
NOTARY PUBLIC - MINNESOTA
HENNEPIN COUNTY
My Commission Expires Sept. 29, 1977

Notary Public, Hennepin County, Minnesota.
My commission expires September 29, 1977

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

CERTIFICATE

In the Matter of Proposed Rules of the Minnesota Public Service Commission relating to filing of Proposed Rates for Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

DOCKET NO. A-8117-12

I hereby certify that the attached 404 labels and one sheets constitute the complete list of persons, associations, and other interested groups who as of 12:45 o'clock, P.m. this 8th day of January, 1975, 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.

Joan Anderson Growe
JOAN ANDERSON GROWE
SECRETARY OF STATE

By: Neil Dion

ALLEN CLAUDE H
1200 N W BK BLDG
ST PAUL MN
55101

ALTMAN MILTON H
707 DEGREE OF HONOR BLD
ST PAUL MN
55101

ANCHOR BLOCK COMPANY
PO BOX 3360
ST PAUL MN
55165

ANDERSON GRAHAM
951 E HENN
MPLS MN
55414

ANDERSON JAMES
7703 NORMANDALE RD
MPLS MN
55435

ANDERSON STANFORD P
14600 MINNETONKA BLVD
MINNETONKA MN
55343

ARNOLD ROBERT MESPA
41 SHERBURNE
ST PAUL MN
55103

ARROWHEAD REGIONAL DEV CO
900 ALWORTH BLDG
DULUTH MN
55802

ASSOCIATED INDUST OF MPLS
NATIONAL BLDG
MPLS MN
55402

ASSN OF MINN COUNTIES
55 SHERBURNE AVE #203
ST PAUL MN
55103

ALBERT,AA CALDER CORP
366 JACKSON ST
ST PAUL MN
55101

AM CAMPING ASSN MRS LEACOCK
1235 BRIGHTON SQ
NEW BRIGHTON MN
55112

AM INST PROF GEOLOGISTS
2201 PRINCETON AVE
ST PAUL MN
55105

ANDERSON HERBERT
418 8TH ST. SO.
VIRGINIA MN
55792

ANDERSON HAROLD
BOX 3047
MANKATO MN
56001

ANTHONY R.S. E.L.M.
1222 FOURTH ST. S.E.
MINNEAPOLIS MN
55414

ARMOUR AND COMPANY
UNION STOCK YARDS
SO ST PAUL MN
55075

ARVER JOHN A
2467 COHANCY
ST PAUL MN
55113

ASMUSSEN,DENNIS,MPIRG
3036 UNIV AVE SE
MPLS MN
55414

BABCOCK LOCHER NELSON ET
118 E MAIN ST
ANOKA MN
55303

BARKER KENT
8100 34TH AVE SO
MPLS MN
55420

BARTHOLOW HAROLD E FIRE C
2600 109 AVE N W
COON RAPIDS MN
55433

BEMIDJI STATE COLLEGE
PLACEMENT BUR.J.C.BRADY
BEMIDJI MN
56601

BENSONI PETER USW OF AM
609 PROVIDENCE BLDG.
DULUTH MN

BEUTEL ROBERT
BOX 1205
ST CLOUD MN
56301

BLOMQUIST BARRY L.

NORTH BRANCH MN
55056

BRIGHAM E M III
RR4
RED WING MN
55066

BROEKER JOHN
2850METRO DR. SUITE 504
BLOOMINGTON MN
55420

BRUBACHER RICHARD COMM ADM
208 ADM BLDG
ST PAUL MN
55101

BRUNING C.R.DEPT.CLINIC.E
BURTON HALL
MPLS. MN
55455

BUR NATL AFFAIRS INC
1231 25TH ST NW
WASHINGTON DC
20037

BUSCH NOEL
3131 FERNBROOK LANE N
MPLS MN
55441

CAIRNS JOHN A
1460 NW BK BLDG
MPLS MN
55402

CARLSON CARL L
7516 80TH ST S
COTTAGE GROVE MN
55016

CARRISON DALE K
MANKATO STATE COLLEGE
MANKATO MN
56001

CENTRAL BUSINESS DATA
BENSON RADIO ARCADE BLD
BENSON MN
56215

CHAMBERLAIN JOHN L
PO BOX 241
MPLS MN
55440

CHAMBERLAIN WARREN D
887 SW 4TH AVE
FARIBAULT MN
55021

CITY CLERK
386 CITY HALL
ST PAUL MN
55102

CITIZENS LEAGUE
530 SYNDICATE BLDG
MPLS MN
55402

COLEMAN NICHOLAS D
700 LINWOOD AVE
ST PAUL MN
55105

COLLIN LAURENCE
RT 2
ISANTI MN
55040

OLD COLONY GAS & OIL COMPANY
17TH AVE N AT 2ND ST
MPLS MN
55411

OSTRUM DONALD E
10213 PIERCE ST NE
BLAINE MN
55434

PATTISON ORVIS
BOX 645
WILLMAR MN
56201

PAYNE COL ALVIN

DEGRAFF MN
56233

PETERSEN JOHN W
525 OSBORN BLDG
ST PAUL MN
55102

PHAR MFGRS ASSN WM O PATTON
1155 15TH ST NW
WASHINGTON DC DC
20005

PORTER LYLE O

TRACY MN
56175

PORT AUTH CITY OF ST PAUL
330 MINNESOTA BLDG
ST PAUL MN
55101

PRAUSE JOS.C.
2220 105TH AVE.N.W.
COON RAPIDS MN
55433

PULSCHER RBT SPRINGSTED INC
813 OSBORN BLDG
ST PAUL MN
55102

RADMAN RICHARD-LABOR TEMPLE
418 AUDITORIUM
ST PAUL MN
55102

RED OWL STORES INC
215 E EXCELSIOR AVE
HOPKINS MN
55343

REID DAVID H
5633 WASHBURN AVE S
MPLS MN
55410

RICHARDSON THOS
7851 METRO PKWY S 103
MPLS MN
55420

RICHARDS MONTGOMERY ET AL
1430 RAND TOWER
MPLS MN
55402

ROBERTS DAVID E
1260 NW NATL BK BLDG
ST PAUL MN
55101

ROSS ALFRED
6356 WARE RD
LINO LAKES MN
55014

SAN SIMEON DEVELOP CORP
OLD 1ST STATE BK BLDG
PAYNESVILLE MN

SANFORD SID
7000 PORTLAND AVE
RICHFIELD MN
55423

ST PAUL ASSN PLBG HTG MECH
614 AM NATL BK
ST PAUL MN

ST PAUL BUR HLTH DR P COX
555 CEDAR ST
ST PAUL MN
55101

SCHAPS NICHOLAS
100 OAIN TOWER
MPLS MN
55402

SCHLICHT REV ROBT
611 W MAIN ST
BELLE PLAINE MN
56011

SCHMIDT LARRY WCCO-TV NEWS
50 S 9TH ST
MPLS MN
55402

SCHNEIDER MAHLON
GREEN GIANT
LESUEUR MN
56058

SCHWERMAN EARL JR
1535 8TH AVE SE
ROCHESTER MN
55901

SCHWINN ROBT.P.
1400 SOO LINE BLDG.
MPLS. MN
55402

SENATE COUN OFF J ST MARIE
STATE CAPITOL
ST PAUL MN
55101

SHABATURA EUGENE H
2833 LAKE AVE SO
DULUTH MN
55811

SHARP BOB
4125 HIGHWOOD RD
ST LOUIS PK MN
55416

SITE ENGINEERS INC
900 REDWELL LANE
APPLE VALLEY MN
55124

SKELLY OIL CO R R WELLINGTON
PO BOX 436
KANSAS CITY MO

SNYDER ROBERT W
248 CO B U OF M
ST PAUL MN
55101

SODERMAN ANTHONY
152 S PLAZA BLDG
MPLS MN
55416

STATE BD VETERINARY EXAMINER
C/O DR A C SPANNAUS DVM
WACONIA MN

STD AM LIFE & ANNUITY CO
3801 W 50TH ST
MPLS MN
55410

STROBEL LOUIS
RM 1180 175 E 5TH ST
ST PAUL MN
55101

STOLPESTAD BROWN & SMITH
1550 NW BK BLDG
ST PAUL MN
55101

SUMMIT NATL BANK D L MORRILL
205 AURORA AVE
ST PAUL MN
55103

SUSSEL CO.ATTN:TED SCHWENKER
1850 COMO AVE.
ST PAUL MN
55108

SWANSON GERALD H
212 CITY HALL
ROCHESTER MN
55901

SWEITZER R L HONEYWELL INC
2701 4TH AVE S
MPLS MN
55408

THOMPSON CONRAD
1107 23RD ST NW
ROCHESTER MN
55901

THOMPSON HESSIAN ET AL
1500 MIDWEST PLAZA BLDG
MPLS MN
55402

TWIN CITY RETAIL DRUGGIST AS
2388 UNIV AVE
ST PAUL MN
55104

VAN CLEVE JOHN H
2101 HENN AVE
MPLS MN
55405

VAN DRAKE STEPHEN R
BOX 353
PELICAN RAPID MN
56572

VILLAGE OF WOODBURY-F.STRONG
561 TOWER DRIVE
NEWPORT MN
55055

VOLDNESS PERRY
IDS 8TH & MARQUETTE
MPLS MN
55402

WALIGORA ROBERT
3228 SO 17TH AVE
MPLS MN
55407

WHITLOCK A G
ECON LAB OSBORN BLDG
ST PAUL MN
55102

WIS FEEDER PIG MARKET CO-OP

FRANCIS CREEK WI

WOLKERSTORTER THEODORE
676 17TH AVE NW
NEW BRIGHTON MN
55112

MINN POULTRY & HATCHERY ASSN
BOX 158
MADELIA MN
56062

MINN PUB INT RES DAYTON
2418 UNIV AVE SE
MPLS MN
55414

MINN RETAIL FEDERATION
7600 PARKLAWN STE 457
MPLS MN
55435

MINN RETAIL HARDWARE ASSN
3033 EXCELSIOR BLVD 313
MPLS MN
55416

MINN SOC CERTIFIED PUB ACCTS
1102 WESLEY TEMPLE BLDG
MPLS MN
55403

MINN STATE BAR ASSN
100 MINN FED BLDG
MPLS MN
55402

MINN STATE MED ASSN
375 JACKSON ST
ST PAUL MN
55101

MINN STATE RETIREMENT SYSTEM
529 JACKSON ST
ST PAUL MN
55101

MINN.TURKEY GROWERS ASSN
2383 UNIV AVE
ST PAUL MN
55114

MINN VETERANS MED ASSN
[redacted] S 6TH ST
MPLS MN
55402

MINN-WISC BOUNDARY AREA COMM
600 2ND ST
HUDSON WI
54016

MOFFITT R.C. DIR.ENV.CONTROL
MPLS.CITY HALL RM 301M
MPLS MN
55415

MPIRG
BOX 45 ST MARYS COLLEGE
WINONA MN
55987

MUELLER SHIRLEY A
787 W COTTAGE AVE
ST PAUL MN
55117

NATL CAR RENTAL ATT D MITZEL
5501 GREEN VALLEY DR
MPLS MN
55437

NATL COUNCIL JEWISH WOMEN
4330 CEDAR LK RD
MPLS MN
55416

NCEC INC C/O DR DAHLBERG
CONCORDIA COLLEGE
MOORHEAD MN
56560

NELSON DONALD E NSP CO
414 NICOLLET AVE
MPLS MN
55401

NEUMAN RALPH W
RT 2 BOX 125
EMBARRASS MN
55732

NIELSEN STOCK & BLACKBURN
415 730 BLDG
MPLS MN

NW COUNTRY ELEVATOR ASSN
802 GRAIN EXCH BLDG
MPLS MN
55415

NURSING HOME ADMRS BD EXAMRS
277 W UNIV AVE
ST PAUL MN
55103

NYQUIST DEAN A
3707 53RD PL N
BROOKLYN CTR MN
55429

O'BRIEN J.DENNIS
1100 1ST NATL.BANK BLDG
MINNEAPOLIS MN
55402

MCFADDEN G H DISPATCH-PRESS
55 E 4TH ST
ST PAUL MN
55101

MCKIBBON MRS SHIRLEY
11 EVERGREEN LN
BABBITT MN
55706

MALONE E I COMM LABOR & INDU
444 LAFAYETTE RD 5TH FL
ST PAUL MN
55101

MANKATO STAT STUDENT SENATE
CENTENNIAL STUDENT UN
MANKATO MN
56001

MASTOR & MATTSON LTD
315 PEAVEY BLDG
MPLS MN
55402

MAUL WARREN E
320 S 4TH ST
MPLS MN
55415

MEIEROTTO, JOAN
1794 SO LEXINGTON
ST PAUL MN
55118

MERRITT GRANT POLLUTION CONT
1935 W CO RD 32
ROSEVILLE MN
55113

MILLER RICHARD A
1020 PLYMOUTH BLDG
MPLS MN
55402

MILLER TOM
2311 PILLSBURY AVE S
MPLS MN
55404

MPLS STAR PRESS ROOM
STATE CAPITOL
ST PAUL MN
55101

MPLS TRIBUNE CITY DESK
425 PORTLAND AVE
MPLS MN
55415

MINN AFL-CIO, L O LA SHOMB
414 AUDITORIUM ST
ST PAUL MN
55102

MINN ASPHALT PAVEMENT ASSN
555 WABASHA RM 209
ST PAUL MN
55102

MINN. ASSN. PET RETAILERS
1115 2ND AVE. SO.
MINNEAPOLIS MN
55403

MINN AUTOMOBILE DEALERS ASSN
GRIGGS MIDWAY BLDG
ST PAUL MN
55104

MINN DEPT HEALTH J C MCKASY
717 DELAWARE S E
MPLS MN
55440

MINN DENTAL HYGIENISTS
5041 YVONNE TERRACE
MPLS MN
55436

MINN ENV LAW INST INC
PO BOX 15076 COMM STA
MPLS MN
55415

MINN FARMERS UNION PRES OFF
1275 UNIV AVE
ST PAUL MN
55104

MINN. HOTEL & MTR. ASSN
2001 UNIVERSITY AVE
ST PAUL MN

MINN HWYS MANAGEMENT SERVICE
410 HWY BLDG
ST PAUL MN
55101

MINN LP GAS ASSN
7515 WAYZATA BLVD 106
MPLS MN
55426

MINNE MINE CREDIT UNION
3000 HUDSON PK S 100
ST PAUL MN
55119

HUNT MRS CHAS L MECCA
26 E EXCH CENTRAL MANOR
ST PAUL MN
55101

HUNT JAMES P JR
11470 GALTIER DR
BURNSVILLE MN
55378

INGEBRIGTSEN DR K H
23 SE 4TH ST
MPLS MN
55414

IUOE LOC 49 CHAS SWENSON
2580 UNIV AVE
ST PAUL MN
55101

IVERSON DR JOS DEPT ED
ST OLAF COLLEGE
NORTHFIELD MN
55057

JACKMAN DONALD G
4023 E LAKE ST
MPLS MN
55406

JENOS INC
525 LAKE AVE SO
DULUTH MN
55801

JOHNSON M.D. FRUNOT & FRUNOT

BLUE EARTH MN
56013

JOHNSON LANCE J
265 S LAFAYETTE RD
ST PAUL MN
55107

KEENAN RICHARD J
4444 IDS BLDG
MPLS MN
55402

KIMBALL ROBERT
647 CAPITOL SQ BLDG
ST PAUL MN
55101

KNUTSON DR KEITH, BIOLOGY DPT
ST CLOUD STATE
ST CLOUD MN
56301

KOPP MRS VERNON
2050 65TH ST E
INVER GR HGHT MN
55075

KORTZ MRS LOUISE
1064 FOREST HILLS DR SW
ROCHESTER MN
55901

LAKE SUPERIOR INDUSTRIAL BUR
828 FIRST AM. BK. BLDG.
DULUTH MN
55802

LANAHAN E F — SIBLEY CO
184 E 6TH ST
ST PAUL MN
55101

LAPP LAZAR LAURIE ET AL
1200 BUILDERS EXCHANGE
MINNEAPOLIS MN
55402

LARSON C L
3800 MINNEHAHA AVE SO
MPLS MN
55406

LEAGUE WOMEN VOTERS OF MINN
555 WABASHA
ST PAUL MN
55102

LINDALL & JONATHAN DEVELOP.
VILLAGE ONE CENTER
CHASKA MN
55318

LOWE DOUG
2701 N LEXINGTON AVE
ROSEVILLE MN
55113

LYNCH DONALD SIBLEY CO
184 E 6TH ST
ST PAUL MN
55102

FOX W.E. LINDQUIST & VENNUM
4200 IDSCTR 80 S.8TH ST
MINNEAPOLIS MN
55402

FRANKLIN ROBERT 8 MPLS TRIB
426 PORTLAND
MPLS MN
55415

FROST THOS R
RM 391 STATE OFF BLDG
ST PAUL MN
55155

FURLONG DR JOHN
RT 1
BOVEY MN
55709

GALVIN M J JR
W2162 1ST NATL BK BLDG
ST PAUL MN
55101

GEBERT K L
220 GRAIN EXCH
MPLS MN
55415

GIEL DAVID
RM B-28 STATE CAPITOL
ST PAUL MN
55155

GLEESON MICHAEL
909 SOC SC BLDG U OF M
MPLS MN
55455

GRAHAM THOS H
854 MIDLAND BK BLDG
MPLS MN
55401

GRANATH MARVIN -HONEYWELL
2701 4TH AVE SO
MPLS MN
55408

GREEN JANET
9773 N SHORE DR
DULUTH MN
55804

GUSTAFSON DAN-LABOR TEMPLE
312 CENTRAL
MPLS MN
55414

H B FULLER CO
2400 KASOTA AVE
ST PAUL MN
55108

HANFT PHILIP M
1200 ALWORTH BLDG
DULUTH MN
55802

HALLBERG LEE & MCCABE
4927 34TH AVE S
MPLS MN
55417

HAYES, THOMAS W
700 SELLWOOD BLG
DULUTH MN
55812

HART PATRICK V
112 E LIBERTY BOX 3271
MANKATO MN
56001

HARTFELDT WILL
415 HAMM BLDG 6TH ST
ST PAUL MN
55102

HEISENFELT WM
BOX 516
BEMIDJI MN
56601

HICHINGER-MARK PLANNING
421 WABASHA ST
ST PAUL MN
55102

HOLDAHL SCOTT
380 N BLDG GRAIN EXCH
MPLS MN
55415

HOPKINS WM.B. DIR.MISCCA
3915 GOLDEN VALLEY ROAD
GOLDEN VALLEY MN
55422

HOUSE ED STANDING SUB COMM
RM 109 STATE CAPITOL
ST PAUL MN
55101

HULSTRAND ANDERSON & LARSON
PO BOX 130
WILLMAR MN
56201

COMMUNITY DESIGN CENTER
118 E 26TH ST
MPLS MN
55404

CONCORDIA COLLEGE
DEAN
MOORHEAD MN
56560

COX AND KING
600 BUILDERS EXCH
MPLS MN
55402

CROW WING CO PLANNING & ADV
COURT HOUSE
BRAINERD MN
56401

DANFORTH & ALLEN
731 NW BANK BLDG
MPLS MN
55402

DAYTON CHAS SIERRA CLUB
800 MIDLAND BANK BLDG
MPLS MN
55401

DICKINSON MRS JOANNE
BOX 1065
MARSHALL MN
56258

DORSEY MARQUART
2400 1ST NATL BANK BLDG
MPLS MN
55402

DOUGLASS BELL
525 OSBORN BLDG
ST PAUL MN
55102

DUDLEY E H
RT 7 BOX 122
EXCELSIOR MN
55331

DUNN OLIVER PLUMBERS LOC 15
708 SO 10TH ST
MPLS MN
55404

EDINA FIRE D JAMES MCNELLIS
4801 W 50TH ST
EDINA MN
55424

ELDER DR JAMES B
11140 WASHBURN AVE SO
BLOOMINGTON MN
55431

EMERICK RICHARD A
1908 IDS CENTER
MPLS MN
55402

EMP HANDICAPPED PERSONS COMM
527 JACKSON RM 227
ST PAUL MN
55101

ERNEST K LEHMANN & ASSOC.
1409 WILLOW ST.
MPLS MN
55403

ESSE KENNETH
4801 W 50TH ST
EDINA MN
55424

EWALD DOUGLAS MINN HOSP ASSN
2333 UNIV AVE SE
MPLS MN
55414

EWING MRS WM
42 ASTAR RD
BABBITT MN
55706

FARMERS ELEVATOR ASSN
852 GRAIN EXCH BLDG
MPLS MN
55415

FELHABER R S
W 1ST NATL BANK BLDG
ST PAUL MN
55101

FLEMING FREDERICK A
1860 HIGHLAND PARKWAY
ST PAUL MN
55116

FITZGERALD DR -BOB
3007 LYNDALE AVE SO
MPLS MN
55408

ASSN RESIDENCES FOR RETARDED
459 RICE SUITE 301
ST PAUL MN
55103

AUTOMOBILE MFRS ASSN INC
55 SHERBURNE AVE
ST PAUL MN
55103

BADALICH JOHN P
2025 THOMPSON AVE
SO ST PAUL MN
55075

BARRETT FRED
ST LOUIS CO COURT HOUSE
DULUTH MN

BECKLIN ROBERT C
447 N W 4TH
CAMBRIDGE MN
55008

BEECHER EVERETT
10 10 1ST ST SO
HOPKINS MN

BERGERUD ALF
300 ROANOKE BLDG
MPLS MN
55402

BEST FLANAGAN ET AL
1ST NATL BANK BLDG
MPLS MN
55402

BREHL JAMES W
332 HAMM BLDG
ST PAUL MN
55102

BRIGGS & MORGAN - B F FRIEL
2200 W 1ST NATL BK BLDG
ST PAUL MN
55101

BROOKS WILLIAM F JR
854 MIDLAND BK BLDG
MPLS MN
55401

BROWN D M GOODRIDGE PUB SCH
IND DIST #561
GOODRIDGE MN
56725

BURGER ALBERT
600 DEGREE OF HONOR BLD
ST PAUL MN
55101

BUR. ENGR. IND. DIV. MR. KIBIGER
219 N. 2ND ST.
MPLS. MN

CAIN RUTH
730 E 38TH ST
MPLS MN
55407

CARLSON VERNE E
BOX 755 CITY HALL
WILLMAR MN
56201

CENTRAL MN REGIONAL DEV COMM
1139 FRANKLIN AVE
SAUK RAPIDS MN
56379

CHAMBER OF COMMERCE
30 SO 1ST AVE EAST
ELY MN
55731

CHERCHES CHRIS CITY MGR
5005 MTKA BLVD
ST LOUIS PARK MN
55416

CHRISTIAN SCI COMM ON PUB
1821 UNIV AVE SUITE 271
ST PAUL MN
55104

CLARKSON J.B.
2350 I.D.S. CENTER
MINNEAPOLIS MN
55402

CLAUSEN PHILLIP
2255 PRESCILLA ST
ST PAUL MN
55108

OTTER TAIL POWER CO.
215 S. CASCADE ST.
FERGUS FALLS MN
56537

PAYNE WM B
2400 FIRST NATL BK BLDG
MPLS MN
55402

PETERSON GARY
854 MIDLAND BK BLDG
MPLS MN
55401

PHILLIPS LEGISLATIVE SERVICE
459 RICE ST
ST PAUL MN
55103

POPOVICH PETER S
314 MINN BLDG
ST PAUL MN
55101

POSS DONALD G
6301 SHINGLE CREEK PKWY
BROOKLYN CTR MN
55430

POYZER ROBT
BOX 675
FERGUS FALLS. MN
56357

QUIRIN E W
336 STATE OFF BLDG
ST PAUL MN
55155

RANALLO CLARENCE
800 CENTRAL AVE N E
MPLS MN
55413

RAUENHORST CORP-C ANDERSO
7900 XERXES S. S-2200
MPLS MN
55431

RENNER R.H. ST PAUL AREA CC
300 OSBORN BLDG.
ST PAUL MN
55102

RAMSEY CO MEDICAL SOCIETY
1500 LOWRY MEDICAL BLDG
ST PAUL MN
55102

ROE DAVID
175 AURORA
ST PAUL MN
55103

ROBBIE JOSEPH
904 CARGILL BLDG NO CTR
MPLS MN
55402

RUDY FLOYD
118 AVE C
CLOQUET MN
55720

SATHRE, HARVEY
375 MARION STREET
ST PAUL MN
55103

SAX DOVE & STENSON
310 ENDICOTT BLDG
ST PAUL MN
55101

ST PAUL FOOD RETAILERS ASSN
1220 ARCADE
ST PAUL MN
55106

SCARBOROUGH WILLIAM
DIV.ED. U.M.
MORRIS MN
56267

SCHMIDT D R MN ASSN REALTORS
6101 WAYZATA BLVD
MPLS MN
55416

SCHMIDT H W TCHRS RETIREM
302 CAPITOL SQ BLDG
ST PAUL MN
55101

VAN EVERA MUNOT ET AL
700 TORREY BLDG
DULUTH MN
55802

VERRILL JOHN E
DEPT SECONDARY ED UOF M
DULUTH MN
55812

VOSS REV GORDON O
11120 NE 7TH ST
BLAINE MN
55434

VOS LEROY
2137 BURNS AVE
ST PAUL MN
55119

WALTERS THOS H
4510 W 77TH ST STE 235
MPLS MN
55435

WELK G V NORTHERN STATES
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MPLS MN
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2100 SUMMIT AVE.
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55105

WILSON R GARY POQ INDUSTR
1GATEWAY CENTER
PITTSBURGH PA
15222

WOZNIAK D D
401 FIRST FED BLDG
ST PAUL MN
55101

WYANT CLINTON W ATTY

ATKIN MN
56431

SCHUTZ LINDA
RM 328 CAPITOL BLDG
ST PAUL MN
55155

SCHWARTAU NEAL METH HOSP
201 W CENTER ST
ROCHESTER MN
55901

SCHNEIDER & NEESER
706 1ST ST SO PO BX 876
WILLMAR MN
56201

SCHROEDER ALFRED H
2172 CARROLL AVE
ST PAUL MN
55104

SENATE FINANCE COMMITTEE
113 STATE CAPITOL
ST PAUL MN
55101

SENATE GOV OP COMM
RM 303 STATE CAPITOL
ST PAUL MN
55155

SHAW ROBERT M
616 MOBIL OIL BLDG
MPLS MN
55402

SHELL OIL CO. W.A. ROQUET
ONE SHELL PLAZA BX 2463
HOUSTON TX
77001

SLOCUM CHARLES A
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SMERIKA WM.
BOISE CASCADE PAPERS
INTL FALLS MN
56649

STANSFIELD ARLENE LAND OLKS
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STATE BD.BARBER EXAMINERS
555 WABASHA
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203 NW 22ND ST.
AUSTIN MN
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STUPKA & MOREM
MIDTOWN BLDG
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SULLIVAN J KIRK
PO BOX 200
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SWANSON BURT E
W-2162 1ST NATL BK BLDG
ST PAUL MN
55101

SWANSON DALE
P O BOX 339
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55025

TATE VERN 3M CO
3M CENTER 220/6W
ST PAUL MN
55101

TIMESAVERS INC ATT R S VOLD
5270 HANSON COURT
MPLS MN
55422

TOUCHE ROSS & CO K H STOC
780 NORTHSTAR CNTR
MPLS MN
55402

UNION STOCK YARDS
ATTN PRES
SO ST PAUL MN
55075

MN REP STATE CENTRAL COMM
555 WABASHA AVE
ST PAUL MN
55102

MINN RESTAURANT ASSN
2001 UNIVERSITY AVE.
ST PAUL MN 55
104

MINN SCH BUS OPERATORS ASSN

FARIBAULT MN
55021

MINN SOCIETY ARCHITECTS A
NW NATL BK BLDG
ST PAUL MN
55101

MINN ST BD PHAR P G GRUSSING
1965 FORD PKWY
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55116

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PO BOX 3215
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55165

MINN TEAMSTERS CREDIT UNION
2021 HENN AVE E
MPLS MN
55413

MINN TBR PRODUCERS ASSN
200 CHRISTIE BLDG
DULUTH MN
55802

MINN ASSN WATERSHED DIST'S

ADA MN
56510

MINN WATER RESOURCES BD
RM 206 555 WABASHA ST
ST PAUL MN
55102

MOOD R BLOOMINGTON HLTH DEPT
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55114

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77401

NESBITT JOHN
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55420

NO SUB MONTESSORI-S SADDLER
2487 HELEN COURT
NO ST PAUL MN
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ST PAUL MN
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MPLS MN
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MET TFR MEN ASSN A ROSENTHAL
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ST PAUL MN
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METROPOLITAN COUNCIL LIBR
300 METRO SQUARE
ST PAUL MN
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MPLS CHAMBER COMM TRANSP DPT
15 S 5TH ST
MPLS MN
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MPLS CITY ATTORNEY
325M CITY HALL
MPLS MN
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MINN APT ASSN
GRIGGS-MIDWAY BLDG
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55 SHERBURNE AVE
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4901 W 77TH ST
MPLS MN
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MINN COMMUNITY DEVELOP SERV
512 ROSSMOR BLDG
ST PAUL MN
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MINN COUNCIL STATE EMP NO
475 RICE ST
ST PAUL MN
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MINN ELECTRICAL ASSN INC
525 SO 7TH
MPLS MN
55415

MINN ENV CONTROL CITIZEN
CENTRAL MANOR 26 E EXCH
ST PAUL MN
55101

MINN FOOD RETAILERS ASSN
555 WABASHA
ST PAUL MN
55101

MINN HEREFORD-LJ SCHAFER

BUFFALO LAKE MN
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MINN HOUSING INST N T CARTER
7801 METRO PKWY
MPLS MN
55420

MINN LAND USE COMMITTEE
4344 IDS CENTER
MPLS MN
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MINN.MTR.TRANSP. .J.N.DENN
1821 UNIV.
ST.PAUL MN
55104

MINN PETROLEUM COUNCIL
1020 NORTHERN FED BLDG
ST PAUL MN
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HUTCHISON R.M. ANOKA CO.COMP
COURT HOUSE
ANOKA MN
55303

HYLAND DEAN
1501 W 50TH ST
MPLS MN
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INGVALSON VERN MN.FARM BUR.
3110 WOODDALE DR PO 337
OST PAUL MN
55165

INS FED OF MINN
902 SOO LINE BLDG
MPLS MN
55402

IZAAK WALTON LEAGUE MN DIV
106 TIMES BLDG 57 S 4TH
MPLS MN
55401

JENSEN CARL A
127 E MAIN ST
SLEEPY EYE MN
56085

JOHNSON & SANDERSON
ST MARYS HOSPITAL
ROCHESTER MN
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ST ST PAUL MN
55075

KOLLER MR & MRS ERWIN A
1568 DULUTH ST
ST PAUL MN
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KRAMER ERNEST W
717 DELAWARE ST SE
MPLS MN
55440

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COTTAGE GROVE MN
55016

LANSING & OAKES
400 SIBLEY ST
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LARSON HANS P DIV HOSP SERV
717 DELAWARE ST SE
MPLS MN
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MPLS MN
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HEALTH MANPOWER C LARSON
717 DELAWARE ST SE
MPLS MN
55440

HESS DONALD MIDWEST PLANN
2101 HENN BLDG
MPLS MN
55405

HEAD & TRUHN
1007 SOO LINE BLDG
MPLS MN
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HILL JIM ASSOC.MILK PROD.
7850 METRO PARKWAY
MINNEAPOLIS MN
55420

HINRICHSEN PATRICK
MANKATO FREE PRESS
MANKATO MN
56001

HOULE MELVIN
881 W HWY 96
SHOREVIEW MN
55112

HOUSE APPROPRIATIONS COMM
RM 109 STATE CAPITOL
ST PAUL MN
55101

HULTMAN WARREN R
C/O BARBAROSSA R3
OSSEO MN
55369

HUMAN RIGHTS DEPT
60 STATE OFF BLDG
ST PAUL MN
55101

CONSUMER SERVICES DEPT COMM
5 cc for Notes
by Gray.
ST PAUL MN
55101

COUNTY ATTYS COUNCIL
95 SHERBURNE AVE S203
ST PAUL MN
55103

CUSHMAN J S DAYTON HUDSON
700 NICOLLET MALL
MPLS MN
55402

DANKERS, KENNETH
1200 WEST FOURTH STREET
RED WING MN
55066

DANIELSON RODNEY L.
418 AUDITORIUM
ST PAUL MN
55102

DIEHL JOHN
26 KENWOOD PKWY
ST PAUL MN
55105

DISPATCH PIONEER PRESS
PRESS RM STATE CAPITOL
ST PAUL MN
55101

DOW CHEMICAL
47 BLDG
MIDLAND MI
48640

DOYTON MAURICE, MET SEWER
350 METRO SQ BLDG
ST PAUL MN
55101

EBELING EDWARD H.
161 W. MAIN
PERHAM MN
56573

ELDRED R W ARMOUR & CO
UNION STOCK YARDS
SO ST PAUL MN
55075

ELMER EDWIN W
2901 PLEASANT AVE
MPLS MN
55408

ENV SERV-GEN RESOURCE CORP
6340 INDUSTRIAL DR
HOPKINS MN
55343

EROMAN ROGER TENNANT CO
701 N LILAC DR
MPLS MN
55441

EVANS CHAS.L. PRENTICE-HALL
ENGELWOOD CLIFFS
NEW JERSEY

EVERETT JERRY NW PETRO AS
512 NICOLLET MALL RM917
MPLS MN
55402

FAEGRE & BENSON ATTN LIBR
1260 NW BANK BLDG
MPLS MN
55402

FINLEY JAMES F
920 MINN BLDG
ST PAUL MN
55101

FINNEGAN J.R.
55 E. 4TH
ST.PAUL MN
55101

FORBES GORDON MINN RRS ASSN
203 HANOVER 480 CEDAR
ST PAUL MN
55101

FORSBERG AGR SERV
518 SUMMIT AVE
NEW ULM MN
56073

PUBLIC SERVICE
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Anderson Trucking Service, Inc. 203 Cooper Ave. N., St. Cloud 56301

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Great Northern Railway Company, Law Dept. Rm. 1120, 175 E. 4th St., St. Paul 1

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STATE OF MINNESOTA
OFFICE of SECRETARY of STATE

NOTICE of HEARINGS MAILING LABEL SYSTEM

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KRONLOKKEN J E	10048 NORD RD	BLOOMINGTON	MN	55437
MN PUB INT RESEARCH GROUP	3036 UNIV AVE SE	MPLS	MN	55414

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STAFF SUPPORT

PSC 400 - 406

Change in Rates

The Minnesota Public Utilities Act has provided that the Commission shall regulate changes in gas and electric utility rates.

Section 16, Subd. 2 states:

> "Whenever there is filed with the Commission any schedule modifying or resulting in a change in any rates then in force, together with filed statements of facts, expert opinions, substantiating documents, and exhibits, supporting the changes requested, the commission shall upon complaint or may upon its own motion, . . . conduct a hearing to determine whether the rates are unjust or unreasonable . . ."

Apart from the statutory responsibility and authorities vested in the Commission by Section 16, the staff has identified a general need for the regulation of changes in rates as provided in Section 16. Some of the key reasons are:

1. To protect the consumer from electrical energy or gas rates which are unjust, unreasonable, or discriminatory.
2. To maintain the financial viability and stability of the utility such that it is able to furnish safe, adequate, efficient, and reasonable service to the consumer.

In general, these reasons for regulation of changes in rates support the overall legislative intent of the Act to:

> ". . . provide the retail consumers of natural gas and electric service in this state with adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities and their need to construct facilities to provide such service . . ."

Based upon the overall need for regulaton of changes in rates, the staff has proposed rules PSC 400 to PSC 406 for consideration in this hearing.

These rules are intended to apply to privately and cooperatively owned gas and electric utilities as provided for in Section 1, Subd. 4. The affected utilities would be required to:

1. Serve notice of a change in rates, as prescribed by PSC 401(a), prior to the effective date of the changed rates which shall include:
   a. The information prescribed by Section 16, Subd. 1 of the Act; and
   b. The minimum supplemental information needed by the Commission to assess the reasonableness of a proposed general change in rates, as prescribed by PSC 405;

1.0

2. Follow the methods and procedures for insuring the payment of refunds when suspended rates are placed into effect subject to refund and for refunding with interest any increase in rates or part thereof ultimately determined by the Commission to be unjust or unreasonable as prescribed by PSC 401(b); and
3. Provide the Commission with information in addition to that provided as a part of the notice of a change in rates when staff analysis determines that such additional information is necessary.

OBJECTIVES OF THESE RULES:

These rules for the regulation of changes in rates were developed to assist the Commission in meeting the following regulatory objectives:

1. To identify the procedures that utilities would follow when proposing a change in rates;
2. To identify the minimum information required by the Commission for the purposes of:
   a. Determining whether or not a public hearing should be ordered upon the Commission's own motion.
   b. Assessing the reasonableness of a requested change in rates;
   c. Reducing regulatory lag by having needed information readily available for the Commission and staff's evaluation;
   d. Assisting the utility in expressing and supporting its need for a proposed change in rates; and
   e. Providing consistent and objective information for staff evaluation of the utility's need for a change in rates.

RESEARCH APPROACH:

In order to meet these regulatory objectives, the staff has:

1. Conducted an investigation of the regulatory approaches of the Federal Power Commission, the Rural Electrification Administration (REA) and the states of Arizona, California, Colorado, Georgia, Iowa, Michigan and Wisconsin;
2. Reviewed information requested in rate cases involving the following companies:

   - Northern States Power,
   - Kansas City Power and Light,
   - New Jersey Power and Light,
   - Jersey Central Power and Light,
   - Northwestern Bell Telephone Company, and
   - Southern Bell Telephone and Telegraph Company;

3. Utilized the regulatory experience provided by the international accounting firm of Touche Ross and Co. which has consulted in over 100 regulatory engagements in more than 35 jurisdictions and whose experience includes rate matters involving water, sewer, gas, telephone, electric, airline, bus and telegraph companies. The experience gained by this firm in an engagement to recommend a plan for improving utility rate regulation in Michigan was also utilized.

4. Researched the appropriateness of using a return on investment approach and other approaches to rate making for cooperatives.

In addition, the staff has specifically reviewed the current regulatory approaches for cooperatives as expressed in the following:

1. Gill, Charles B. Direct Testimony of Charles B. Gill Before the Vermont Public Service Board. Washington Electric Cooperative Rate Case, July 18, 1974.

2. Colorado. Public Utilities Commission. Decision No. 78921, RE: San Luis Valley Rural Electric Cooperative, Inc., Monte Vista, Colorado, Proposing to Increase Certain Rates for Electric Service. November 28, 1971.

3. Goodwin, James W. Remarks Before New Managers Conference. Washington, D. C.: Rural Electrification Administration, April, 1974.

4. Goodwin, James W. Remarks of James W. Goodwin Before the Seminar for Rate Consultants. Washington, D. C.: Rural Electrification Administration, May, 1972.

5. National Rural Electric Cooperative Association and the Cooperative Finance Corporation. Capital Credits Study Committee Interim Report. January 20, 1975.

6. U. S. Department of Agriculture. Rural Electrification Administration. Capital Credits and Related Consumer Benefits. REA Bulletin 102-1, March 5, 1964.

7. U. S. Department of Agriculture. Rural Electrification Administration. Electric Retail Rates. REA Bulletin 112-2, April 8, 1971.

As a result of the staff's research, it was determined that there has been two traditional approaches to rate making:

1. The return on investment approach used for investor-owned utilities

2. The debt service coverage approach used for cooperative utilities.

The return on investment approach is the traditional approach used for investor-owned utilities whereby the utility is allowed to set rates which will result in an operating income equal to an allowed rate of return times its rate base. On the other hand, the debt service coverage approach has traditionally been the approach used in the regulation of cooperatives because of the difficulty in determining a rate of return for the cooperative's patron equity which is not sold in public money markets and the REA requirement which requires REA borrowers to maintain minimum times interest earned and debt service coverage ratios. However, the staff's research has disclosed that recently the REA and the national and state rural electric cooperative associations have begun studying methods of determining cooperative margin requirements. The reason for this study has been the inability of REA to provide the necessary capital required for the growth of cooperatives and the creation of the Cooperative Financial Corporation (CFC) in 1969. CFC was created by the electric cooperatives for the purpose of raising capital to supplement loans received from the REA. Since CFC raises a portion of its capital by selling first mortgage bonds in the open capital markets, the electric cooperatives are indirectly competing in the open money markets against investor-owned utilities. As a result of the need for cooperatives to seek financing from sources other than the Federal government, the REA and the National Rural Electric Association are concerned about improving the debt to equity ratios and margins of member cooperatives (Exhibits 1.3 - 1.9).

Within the past four years the REA has begun advocating that cooperatives determine their margin requirements based upon the return on investment approach to rate making. The REA has developed a formula for determining the rate of return on patron equity which includes consideration of the number of years in which patron equity will be rotated and an annual growth factor. The REA formula overcomes the major problem associated with developing a rate of return on patron equity when using the return on investment approach for rate making purposes. The REA further advocates that an overall weighted cost of capital can be determined by weighting the return on patron equity and the embedded cost of debt by an implied capital structure which generally has a more favorable debt to equity ratio than

does the utility's actual capital structure. When an implied capital structure is more favorable than the cooperatives actual capital structure, the effect is to raise the cooperative's cost of capital, which in turn provides the utility with the opportunity to increase its margin requirements and thereby improve its capital structure (Exhibits 1.3 to 1.9).

Of the states reviewed, Colorado and Iowa are using a return on investment approach to rate making for cooperatives. The Colorado formula for determining the cost of capital is essentially the same as the REA formula with the exception that the Colorado formula provides for no growth factor in the calculation of the return on patron equity. The Iowa formula also employs an implied capital structure in determining the overall cost of capital as does the REA and Colorado formulas, however, the Iowa commission allows a return on patron equity approximately equal to the rate of return being allowed on the common equity of investor-owned utilities as opposed to calculating it from an assumed equity turnover rate and an assumed growth rate.

Based upon REA recommendations and the current regulatory approaches of the Colorado and Iowa Commissions, the staff has concluded that the return on investment approach to rate making is feasible and appropriate for both investor-owned and cooperative utilities.

In reviewing the regulatory approaches of other states,the staff determined that the majority of states reviewed do not have rate change filing requirements mandated by rule or order of the regulatory body. Nevertheless, for the majority of the states reviewed, standard filing requirements for rate changes have evolved informally for individual utilities as a result of the interaction of the regulatory body's staff, intervenors and the utility in rate change hearings.

Of the states reviewed, Arizona, Georgia, and Michigan have standard filing requirements mandated by rule or order of their regulatory bodies. Of these states, Arizona has the most complete set of rate change filing requirements. These filing requirements are prescribed by the Arizona Corporation Commission's General Order U-53, which applies to all electric, gas, telephone, telegraph, water and private fire protection public service corporations under the jurisdiction of the Arizona Corporation Commission.

For that reason, the Arizona Filing requirements made a significant contribution to the staff in assessing the information needed at a minimum to

investigate the reasonableness of a proposed change in rates. To summarize, the Arizona Corporation Commission requires the following types of information be supplied with a request for change in rates (Exhibit 1.1):

1. Summary information relating to:

   a. the increase in revenue requirements;
   b. the results of operations for the test year, the two fiscal years ended prior to the test year, and the projected fiscal year;
   c. the capital structure for the same periods as in (b);
   d. construction expenditures and gross utility plant in service for the same periods as in (b) above; and
   e. changes in financial position for the same time periods as in (b) above;

2. Rate base information;

3. Test year income statement information;

4. Cost of capital information;

5. Comparative financial statements;

6. Projected financial data and projection assumptions;

7. Cost of service analyses and studies for those utilities which are in a segment of the utility industry that recognizes cost of service studies as important tools for rate design and whose costs are likely to vary significantly from one defined segment of customers to another.

Based upon a study of the Arizona filing requirements, the return on investment approach to rate making, and the regulatory approaches of other states, the staff recognizes that two broad classes of information are required in determining the reasonableness of a requested change in rates:

1. Information relating to the determination of gross revenue requirements; and
2. Rate structure and design information.

In determining a utility's gross revenue requirements, the staff must have information available relating to earnings capacity and cost of capital. The staff in making a determination of the earnings capacity of the utility must assess the future earnings capacity of the utility as well as historical earnings capacity in order to provide the utility with an opportunity to earn the authorized rate of return. The major components of earnings capacity are rate

base and operating income, and the major components of cost of capital are stockholder or patron equity earnings requirements and the embedded cost of debt and preferred stock.

The staff has further concluded that a careful and complete analysis of a utility's requested change in rates cannot be made without considering the utility's rate structure. The staff must have the information available to make a determination that the proposed rates will generate the utility's revenue requirements and that the proposed rates for customer classes of service appropriately reflect the classes of service responsible for the growth in demand and the incremental cost of service.

In accordance with the foregoing conclusions the staff has developed the information requirements to be included in a utility's notice of a change in rates as prescribed by PSC 402 - 405.

RULE CLARIFICATION AND JUSTIFICATION:

The staff feels that it is necessary to further discuss these proposed rules in order to specifically identify the staff reasons and purposes for proposing these rules.

PSC 400, Definitions, is proposed for clarification purposes and to eliminate needless wording in the subsequent rules. The definitions provided in PSC 400 are not meant to mandate how the utility is to prepare its case in support of the requested change in rates. Therefore, the definitions, as prescribed by PSC 400, specifically do not apply to PSC 404, Expert Opinions and Supporting Exhibits.

Section 16, Subdivision 1 of the Public Utilities Act requires that:

> ". . . no public utility shall change any rate which has been duly established under this act, except after 30 days notice to the Commission, which notice shall include statements of facts, expert opinions, substantiating documents, and exhibits, supporting the change requested, and further shall state the change proposed to be made in the rates then in force, and the time when the modified rates will go into effect."

Section 8 of the Public Utilities Act provides that "the comm ission is authorized to make rules and regulations in furtherance of the purposes of this act." Based upon Section 8, the staff has concluded that the Commission has the authority to clarify Section 16 and prescribe the minimum information to be included in a notice of change in rates.

The staff's intent in proposing the notice filing requirements is not to make it difficult for a utility to change its rates nor to use the filing requirements.

as a mechanism for rejecting a utility's notice of a change in rates. Rather, it is the staff's belief that such information filing requirements are essential for the following reasons:

1. To provide the Commission and its staff with the information needed to meet their responsibilities within the rigorous timetables imposed by statute;
2. To reduce the regulatory lag created when information typically required in the rate making process is not available at the outset of a rate investigation or is available in an inconsistent manner which is difficult to evaluate; and
3. To assist the utility in expressing and supporting its need for the requested change in rates.

The statute imposes two rigorous timetables upon the Commission and its staff:

1. After notice of a change in rates and prior to the effective date of the proposed rates, the Commission must determine whether to conduct a hearing;and
2. If a hearing is required or is ordered upon the Commission's own motion, the Commission must determine the reasonableness of the proposed rates within nine months from the effective date of those rates.

With regard to the first timetable, the Commission may have a minimum of thirty days in which to make a determination whether to conduct a hearing and suspend a utility's proposed rates since the statute (Section 16, Subdividion 1) provides that ". . .no public utility shall change any rate . . .except after thirty days notice to the Commission, . . ." Subdivision 2 of that same section provides that:

> ". . . the Commission shall upon complaint or may upon its own motion, . . . conduct a hearing to determine whether the rates are unjust or unreasonable; and pending the hearing and the decision thereon, the Commission, upon filing with the schedule of rates and delivering to the affected utility a statement in writing of its reasons therefor at any time before they become effective, may suspend the operation of the schedule . . ."

The Commission cannot let the decision to conduct a hearing rest solely upon the receipt of a complaint for two reasons:

1. A complaint may not be received, but nevertheless the Commission may wish to order a hearing upon its own motion when deemed necessary in the public interest; and
2. A complaint may not be received in time for the Commission to act upon that complaint, order a hearing, and suspend proposed rates prior to the effective date of the proposed rates.

Hence, the Commission must have timely filed information in a consistent form which can be easily evaluated for the purpose of determining whether a hearing should be ordered upon its own motion.

With regard to the second timetable, the rate making process may require a period greater than nine months as a result of:

1. Complex intervensions;
2. Large numbers of information requests made in the course of hearings; and
3. Evidence offered late in the hearings.

Timely filing of information, which is typically needed in a rate case and which is in a form that the Commission's staff is able to evaluate easily limits the delays created by the aforementioned causes.

As a result of the rigorous timetables imposed by statute and the inevitable delays created by untimely filed information, the staff believes that it is essential to prescribe the minimum information requirements to be included in a notice of change in rates. Because of this need for timely filed information, the staff believes that it will be necessary to recommend to the Commission that it request the legislature to expand the period for determining the reasonableness of a proposed change in rates beyond the nine months mandated by statute if utilities cannot substantially provide the advance information specified in PSC 405.

PSC 401 outlines those procedures which the utility must follow when changing rates. Three types of procedures are specifically prescribed:

1. Procedures for serving notice of a change in rates [PSC 401(a)],
2. Procedures relating to refunding of any increase in rates determined to be unreasonable by the Commission [PSC 401(b)], and
3. Procedures relating to the notice of change in rates subsequent to Commission receipt of the notice [PSC 401(c)].

PSC 401(a) prescribes two different notice filing requirements - one for miscellaneous rate changes and one for general rate changes. The notice filing requirements for a general change in rates are mandated whenever an overall change in rates is requested for which a determination of the utility's gross revenue requirements is necessary in assessing the appropriateness of the requested change in rates. These filing requirements are generally only appropriate when an overall change in rates is requested. For all other changes in rates (miscellaneous rate and service changes), the supplemental filing requirements are not required.

The staff recognizes that the definitions of general and miscellaneous rate changes are not precise as a result of the difficulty in formulating a definition which will appropriately classify all possible rate changes. Nevertheless, the staff is confident that, as in other Commissions, the definitions will be clarified by usage. It must be recognized that the rate change rules do not prohibit a utility from obtaining the advice of the Commission's staff as to the nature of a proposed change in rates prior to serving notice if doubt exists as to the type of change proposed.

The Minnesota Public Utilities Act, Section 16, Subdivision 3, sets forth two methods for insuring payment of refunds:

1. File with the Commission a bond in an amount and with sureties approved by the Commission and
2. Substitute for the bond other arrangements satisfactory to the Commission.

The staff is of the opinion that there is little benefit associated with bonding and the costs of bonding when there is no doubt that a utility is financially capable of refunding any portion of the increase in rates determined by the Commission to be unreasonable together with interest thereon. For this reason, the staff has recommended through PSC 401(b) that an unqualified agreement, signed by an authorized official of the utility, to refund any portion of the increase in rates determined to be unreasonable together with interest thereon will be the satisfactory substitute for bonding unless the Commission otherwise determines that bonding is required.

The staff has further proposed in PSC 401(a) that a notice of a change in rates shall include a statement indicating the method of insuring payment of refunds. The intent of such notice inclusion is to allow the utility to select either of the two methods of insuring payment of refunds prescribed by PSC 401 (b) (1) and to allow the Commission to make an early determination as to whether the terms and conditions of an arrangement for insuring payment of refunds are acceptable. This procedure minimizes the time required to determine if the utility satisfies the conditions for placing suspended rates into effect and allows the Commission, in its directive ordering a hearing and suspension of rates, to provide the authority for the utility to place suspended rates into effect. Therefore, a separate communication from the utility in this regard is not needed and the difficulty of processing such a communication in the time remaining of the notice period is avoided.

Section 16, Subdivision 3 of the Act further prescribes that the excess in increased rates required to be refunded shall include interest thereon at the current rate of interest as determined by the Commission.

The staff determined that it was appropriate to prescribe a method for determining the current rate of interest which would be applicable to all rate cases for the following reasons:

1. Interest rates are a function of conditions in the money market, not rate case issues;
2. A uniform method of determining the current rate of interest is desirable such that all Minnesota consumers receive an equitable interest rate on refunds; and
3. Commission's time would be wasted in each rate case if it was required to determine an appropriate rate of interest to be applied to refunds.

In developing a method for the determination of the interest rate to be applied

In developing a method for the determination of the interest rate to be applied to refunds, the staff established the following criteria to be used in making the method selection:

1. The method should produce a uniform interest rate which would apply to all Minnesota consumers regardless of the utility serving them;
2. The method should produce an interest rate that is reasonably comparable to a utility's current cost of short-term financing such that:
   a. The rate would be fair to the utility, and
   b. The utility would not be encouraged to use the consumer as a means of short-term financing through the mechanism of excess rate increases; and
3. The method would relate the interest rate calculation to the period over which rates were suspended since it is that period in which the excess in increased rates determined by the Commission to be unreasonable were collected.

Based upon the above criteria, the staff recognized two methods of determining the interest rate applicable to refunds:

1. Define the interest rate as the cost of a utility's short-term borrowings during the period rates were suspended, and
2. Define the interest rate as the average prime lending rate of interest during the period rates were suspended.

In studying the first method, two significant shortcomings were noted:

1. A utility may not have any or may have only nominal short-term borrowings during the period rates were suspended, and
2. The cost of short-term borrowings could vary by size of utility because of differing credit standings.

The alternative method of determining the interest rate applicable to refunds utilizes the bank prime lending rate which is that rate offered to a bank's preferred or most credit worthy customers. In studying this alternative, the staff discovered one potential shortcoming - the average prime lending rate may be less than the current cost of a utility's short-term borrowings thereby not reducing the incentive of the utility to use rate increases as a means of short-term financing. As a practical matter, however, the ramification of this shortcoming is mitigated by the adverse reactions which excess rate increases would receive from consumers and government if the utility's proposed rates are substantially greater than those allowed by the Commission.

As a result of the comparison of both methods presented above, the staff concluded that the average prime lending rate was the more acceptable. However, the staff recognized that prime lending rates may vary slightly by bank. Therefore, in order to insure that a uniform rate of interest would be applied to all refunds and in order to eliminate the need to maintain prime lending rates for many banks, the staff concluded that it was necessary to identify one bank for the purpose of collecting data on the prime lending rate. Rather than specifically naming a single bank, the staff decided to identify the largest bank in the Ninth Federal Reserve District as that bank with the largest total outstanding deposits as of the end of the calendar year preceding the notice of change in rates. The largest bank was selected because it is widely recognized within the banking industry that larger banks respond more quickly to changes in the money market than do smaller banks. Thus, the statutory requirement regarding current rate of interest is satisfied.

PSC 401(c) defines the rate change procedures subsequent to Commission's receipt of a notice of change in rates. The staff believes that there must be a procedure for insuring that notices filed do contain the minimum information prescribed by the Commission. For that reason, the staff has proposed that the notice

of a change in rates shall be reviewed for completeness. Those notices which are not complete in all material respects shall not constitute a valid notice.

The staff further proposes that the timetable mandated by statute in which the Commission must determine whether or not to conduct a hearing does not commence until a valid notice is served to the Commission. The staff believes that this is necessary for the following reasons:

1. It is not practical for the Commission to satisfy a municipality affected by a change in rates until a valid notice has been received since the utility may amend its proposed change in rates prior to serving a valid notice; and
2. The Commission cannot begin to make a determination whether or not to conduct a hearing unless the notice contains the information needed by the Commission to make such a determination.

Therefore, if a notice is rejected, the effective date of a utility's proposed rates is delayed since statute (Section 16, Subdivision 1) mandates that " . . . no public utility shall change any rate . . . except after 30 days notice to the Commission, . . .". To prevent an unreasonable delay, the staff has proposed that if a notice or an amended notice is not complete in all material respects, a statement of the deficiencies must be sent to the utility within ten days of the receipt of the notice or amended notice giving the utility an opportunity to serve an amended notice. The proposed rule provides that if the staff does not send the utility a statement as to notice deficiencies within ten days, the notice or amended notice shall be deemed complete,which protects the utility from needless regulatory lag.

PSC 401(c)(4), which reiterates Section 16, Subdivision 2 of the Act, prescribes under what conditions, when and in what manner the Commission may suspend the operation of a utility's proposed rate schedule. In accordance with Subdivision 3 of the same Section of the Act, PSC 401(c)(5) provides that the Commission's written directive suspending the operation of a utility's proposed rate schedules shall include the authority for the utility to place suspended rates into effect, subject to refund, provided that the terms and conditions of the method of insuring payment of refunds is approved by the Commission.

PSC 401(c)(6) was included in the proposed rule to prevent a timing problem which could be created if a utility were to offer evidence that would contradict or materially alter information included in the notice as prescribed by PSC 402 - 404. As a result of such evidence, the Commission could be severely burdened to

determine the reasonableness of the proposed rates within the nine months allowed in the Act because:

1. The evidence could be offered extremely late in the course of hearings;
2. Additional time could be required for intervenors and Commission's staff to evaluate such new evidence; and
3. Additional information may have to be requested to fully evaluate the evidence presented.

In recognition of the serious ramifications which can be created by untimely filed evidence, the staff has proposed in PSC 401(c)(6) that evidence offered in a hearing which in the opinion of the Commission materially alters or contradicts information included in a utility's notice of a change in rates shall be received only upon good cause shown.

PSC 402-405 define the information which is to be included in a utility's notice of a change in rates. PSC 402-404 prescribe the information which shall be included in all notices of changes in rates. PSC 405, on the other hand, relates only to the supplemental information requirements which shall be included in a notice of a general change in rates.

The staff believes that every notice of a change in rates must be adequately supported by the utility and should clearly communicate the utility's position. Therefore, the staff proposes that every notice of a change in rates shall include the following:

1. Proposal for change in rates summarizing the utility's notice such that information is readily available to prepare municipal notice of change in rates (PSC 402).
2. Modified rates which are presented by filing new pages to the rate book and by identifying those pages which were not changed such that the rate book can be properly updated (PSC 403).
3. Expert opinions and supporting exhibits of utility personnel and other expert witnesses which must include at a minimum a statement of the chief executive officer or other designated official of the utility in support of the proposal such that the utility provides at least minimal justification for the proposed rate change.

PSC 405 prescribes the supplemental information requirements which shall be included in a utility's notice of a general change in rates and which the staff believes is the minimum information required in assessing the reasonableness of a requested change in rates. This rule prescribes two levels of supplemental information requirements.

1. That information required to be filed by all gas and electric utilities requesting a change in rates, and
2. That information which is required if applicable to the utility. PSC 405 qualifies these other information requirements as to which utilities they are applicable.

The supplemental information filing requirements have been categorized as follows:

1. Financial summary schedule [PSC 405 (a)]
2. Rate base schedules [PSC 405 (b)]
3. Operating income schedules [PSC 405 (c)]
4. Rate of return/cost of capital schedules [PSC 405 (d)]
5. Rate structure and design information.
6. Other supplemental information.

As to categories 1-4 above, data is requested for the utility's proposed test year, most recent fiscal year, and the projected fiscal year. The utility's test year has been defined in PSC 400 as any twelve-month period selected by the utility for the purpose of expressing its need for a change in rates, and therefore, the test year may be the utility's most recent fiscal year or its projected fiscal year, or any other twelve-month period selected by the utility. The staff believes that this definition places no restriction upon the utility to propose that data which it determines best supports its case.

To insure that the Commission has sufficient data to measure both historical and future earnings capacity, PSC 405 requires the utility to provide financial information for its most recent fiscal year and the fiscal year immediately following. The most recent fiscal year has been defined in PSC 400 (i) as the utility's prior fiscal year unless notice of a change in rates is filed within the last three months of the current fiscal year and at least nine months of historical data is available for presentation of current fiscal year financial information in which case the most recent fiscal year is defined to be the current fiscal year. The qualification in the foregoing definition has been included to allow a utility who files late in its current fiscal year to treat that year as its most recent fiscal year. This prevents projected fiscal year information from being substantially historical.

Throughout PSC 405 the wording "total utility" is often used to describe information requirements. "Total Utility" is defined to mean either:

1. The combined jurisdictional and, if any, nonjurisdictional gas or electric operations of a utility; or
2. The gas or electric operations of a utility's wholly-owned subsidiary operating within Minnesota.

This definition allows a company having a wholly-owned subsidiary with utility operations in Minnesota to file data relating to that subsidiary only whenever "total utility" data is required per PSC 405.

With regard to rate structure and design information, the staff has included the following information requirements:

1. A summary comparison of test year operating revenue under present and proposed rates by customer class of service [PSC 405(e) (1)].
2. A detailed comparison of test year operating revenue under present and proposed rates by type of charge within each rate schedule and within each customer class of service [PSC 405(e) (2)].
3. A cost of service study by customer class of service, by geographic area, or by other categorization as deemed appropriate for the change in rates requested [PSC 405(e) (3)].

The purpose of the summary schedule is to provide a macro review of the effect of the proposed rates on operating revenue. This schedule is to be supported by a detailed comparison of test year operating revenue under present and proposed rates by type of charge, including minimum, demand, energy by block, gross receipts, automatic adjustments, and other charge categories within each rate schedule such that the staff is able to determine that the proposed rates, when applied to test year usage, will produce the operating revenue required by the utility. If the utility has proposed a change in its energy blocking, the utility will need to redistribute test year usage to the new energy blocks such that a determination can be made of the amount of operating revenue the proposed rates will generate. It should be pointed out that unless the utility has made the above calculations, it has no basis for determining the appropriateness of the proposed rates.

The staff further contends that a cost of service study is an important tool in rate design for without knowing the cost of providing service by customer class, by geographic location, or other categorization as deemed appropriate for the change in rates requested, it is very difficult to assess the reasonableness of the distribution of the proposed rates. For that reason the staff has

proposed that whenever a utility proposes a material change in its rate structure, it shall supply a cost of service study in support of its proposed rate structure.

There are several ways of allocating costs in preparing a cost of service study. This rule does not prescribe the particular cost allocation methods to be used by the utility. Nevertheless, the utility has the burden of demonstrating that the cost allocation methods used in the study are appropriate.

The supplemental information filing requirements prescribed by PSC 405 for a general change in rates represent the minimum information required in analyzing a utility's proposed change in rates. The staff has recognized that in the course of a comprehensive examination of a utility's proposed change in rates or in the course of hearings, additional information may be needed. For that reason, the staff has proposed PSC 406 which allows the Commission to request a utility to provide such additional information as deemed necessary within a reasonable period as determined by the Commission.

Copy of Notice & Mailing List
~ Orig.

7-11-78

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

AFFIDAVIT OF MAILING

Docket No. A-8117-12

Sharon A. Schmidt, being first duly sworn, deposes and says:

That on the 10th day of January, 1975 at the City of St. Paul, County of Ramsey, State of Minnesota, she 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.

Sharon A. Schmidt
Sharon A. Schmidt

Subscribed and sworn to before me,
a Notary public, this 10th day of
January, 1975.

Jane A. Turnquist
Notary Public, Ramsey County, Minnesota
My Commission Expires

JANE A. TURNQUIST
Notary Public, Ramsey County, Minn.
My Commission Expires, Nov. 3, 1977

Copy of names attached to Or. J.

7-11-78

STATE OF MINNESOTA)
) SS
COUNTY OF RAMSEY)

CERTIFICATE

In the Matter of Proposed Rules of the Minnesota Public Service Commission relating to filing of Proposed Rates for Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

DOCKET NO. A-8117-12

I hereby certify that the attached 404 labels and one sheets constitute the complete list of persons, associations, and other interested groups who as of 12:45 o'clock, P.m. this 8th day of January, 1975, 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.

Joan Anderson Growe
JOAN ANDERSON GROWE
SECRETARY OF STATE

By: Neil Dion

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 the resolution adopted at a meeting of the Public Service Commission duly and properly called and held on June 19, 1978; 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.

860. A-8117-12 It was voted to adopt Findings of Fact, Conclusions and Order approving revised PSC 400-407. The Commission Secretary was directed to transmit the aforesaid rules to the Attorney General for approval.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 19th day of June, 1978.



Leo J. Ambrose

BEFORE THE MINNESOTA PUBLIC SERVICE COMMISSION

Richard J. Parish	Chairman
Arlen I. Erdahl	Commissioner
Ruth R. Cain	Commissioner
Katherine E. Sasseville	Commissioner
Juanita R. Satterlee	Commissioner

Approved of record
6-19 1978
Secretary

In the Matter of Proposed Rules of the Minnesota Public Service Commission Relating to the Filing of Proposed Rates for Gas and Electric Public Utilities Under the Jurisdiction of the Department of Public Service.

Docket No. A-8117-12

Minn. Rules PSC 400-407
(Change in Rates)

ORDER ADOPTING RULES

The above entitled matter came on for hearing before the Public Service Commission on the 12th day of February 1975, in the large hearing room, American Center Building, 160 East Kellogg Boulevard, St. Paul, Minnesota 55101, after proper notice required by Minn. Stat. § 15.0412 (1976) 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 applicable statutory standards and having confirmed the need for the above-captioned rules and the reasonableness thereof.

NOW, THEREFORE, IT IS ORDERED that the rules identified as Change in Rates for Public Gas and Electric Utilities, Minn. Rules PSC 400-407, are adopted this 19th day of June, 1978 pursuant to authority vested in me by Minn. Stat. § 15.0412 (1976).

BY ORDER OF THE COMMISSION

Leo J. Ambrose
Secretary

(S E A L)

STATEMENT OF COMPLIANCE WITH

MANUAL OF RULE MAKING PROCEDURES

MINN. RULES PSC 400-407

I, Jerome L. Getz, Assistant Attorney General, do hereby declare that I have examined the proposed rules relating to Gas and Electric Utilities, Minn. Rules PSC 400-407, 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 with the following exceptions:

The authority of the person signing the Order of Hearing is not specifically of record and is not attached to this order. (Atty. Gen. 302 (c)(3). A resolution ratifying the signature will be submitted under separate cover.

Jerome L. Getz

JEROME L. GETZ
Assistant Attorney General

Dated: June 21, 1978

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE THE PUBLIC SERVICE COMMISSION

Karl F. Rolvaag	Chairman
Ronald L. Anderson	Commissioner
Arlen I. Erdahl	Commissioner
Richard W. Session	Commissioner
Robert W. Carlson	Commissioner

In the Matter of Proposed Rules of the Minnesota Public Service Commission Relating to the Filing of Proposed Rates for Gas and Electric Public Utilities under the Jurisdiction of the Department of Public Service.

NOTICE OF HEARING

PSC Docket No. A-8117-12

Notice is hereby given that a public hearing pursuant to Minnesota Statutes, Section 15.0412(4) (1971), will be held in St. Paul, Minnesota, in the Hearing Room of the Commission on the Seventh Floor of the American Center Building, Kellogg and Robert Streets, February 12, 1975, commencing 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 the adoption of proposed gas and electric utility rules and regulations relative to changes in rates. These proposed rules and regulations include the procedures and minimum filing requirements for serving notice of a change in rates to the Commission; procedures for guaranteeing and providing refunds and determining refund interest rates for excess rates determined to be unreasonable by the Commission; and the procedures to be followed by the Commission subsequent to acceptance of a notice for change in rates. These rules apply to all private and cooperative gas and electric utilities.

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

/s/ LAWRENCE J. ANDERSON

Lawrence J. Anderson
Secretary

SERVICE DATE: January 10, 1975

(S E A L)

CERTIFICATION OF COMMISSION'S
AUTHORIZING RESOLUTION

I, Leo J. Ambrose, do hereby certify that I am the duly appointed 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 30th day of December 1974; that a quorum was present at said meeting; that a majority of those present voted for the resolution; that the Secretary was instructed to take all action necessary for convening a rules hearing; that the following resolution is set forth in the minutes of said meeting and that it has not been rescinded or modified:

1076: It was moved and approved that a public hearing be convened on Wednesday, February 12, 1975, at 10:00 A.M., in the Hearing Room of the Commission, 7th Floor, American Center Building, St. Paul, Minnesota, for the purpose of hearing the new proposed rules for rate filing by the gas and electric utilities, pursuant to the provision 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 20th day of June, 1978.

Leo J. Ambrose

(S E A L)

PROPOSED MINNESOTA RULES AND REGULATIONS
RELATIVE TO CHANGE IN RATES
FOR GAS AND ELECTRIC REGULATION

CHAPTER 11 PSC 400 - 406

MINNESOTA PUBLIC SERVICE COMMISSION
DEPARTMENT OF PUBLIC SERVICE

CHANGE IN RATES

PSC 400 DEFINITIONS FOR CHANGES IN RATES

For the purposes of Rules 400-403 and 405-406, the following definitions shall apply:

(a) "Average" means a thirteen-month average or a simple average of beginning and end of year data when data is not available to calculate a thirteen-month average.

(b) "Average Prime Interest Rate" means the daily average prime lending rate to preferred customers at the largest bank in the Ninth Federal Reserve District over the period for which the rate refund is applicable.

(c) "Capital Structure" means the total capitalization of the public utility as defined in Section 49, Subdivision 2 of the Minnesota Public Utilities Act and including short-term securities.

(d) "Embedded Cost" of long-term debt or preferred stock means the average cost for all outstanding issues of debt or preferred stock at a given date.

(e) "General Rate Change" means an overall change in rates for which the determination of the utility's gross revenue requirements is necessary in assessing the appropriateness of the change in rates.

(f) "Gross Revenue Conversion Factor" means the incremental amount of gross revenue required to generate an additional dollar of operating income.

(g) "Jurisdictional" means the utility's total Minnesota operations.

(h) "Miscellaneous Rate Change" means a change in any compensation, charge, fare, toll, tariff, rental or classification, demanded, observed, charged, or collected for any service and any rules, regulations, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification for which a determination of the utility's gross revenue requirements is not necessary in determining the reasonableness of a proposed change in rates.

(i) "Most Recent Fiscal Year" is the utility's prior fiscal year unless notice of change in rates is filed with the Public Service Commission within the last three months of the current fiscal year in which case the most recent fiscal year is deemed to be the current fiscal year.

(j) "Projected Fiscal Year" is the fiscal year immediately following the most recent fiscal year.

(k) "Proposed" means utility proposed.

(l) "Rate" is as defined in Section 2, Subdivision 5, Minnesota Public Utilities Act.

(m) "Rate Base" for the most recent fiscal year and the projected fiscal year shall be an original cost rate base.

(n) "Short-term debt" means short-term security as defined in PSC 370.

(o) "Test Year" is the twelve-month period selected by the utility for the purpose of expressing its need for a change in rates.

(p) "Total Utility," when used to describe information requirements, means either:

(1) The combined jurisdictional and, if any, non-jurisdictional gas or electric operations of a utility; or

(2) The gas or electric operations of a utility's wholly-owned subsidiary operating within Minnesota.

(q) "Utility" is defined as in Section 2, Subdivision 4, of the Minnesota Public Utilities Act and shall include the controlling corporation of any Minnesota public utility.

(r) "Weighted Cost of Capital" is the total cost of capital determined by weighting the cost of each component of the capital structure by the ratio of the capital represented by that component to total capital.

PSC 401 RATE CHANGE PROCEDURES

(a) Notice of change in rates. A utility filing for a change in rates shall serve notice to the Commission at least thirty days prior to the proposed effective date of the modified rates. Such notice shall include the items prescribed below for:

(1) General rate changes:

(aa) Proposal for change in rates as prescribed in PSC 402.

(bb) Modified rates as prescribed in PSC 403.

(cc) Expert opinions and supporting exhibits as prescribed in PSC 404.

(dd) Supplemental information requirements as prescribed in PSC 405.

(ee) Statement indicating the method of insuring the payment of refunds as prescribed in PSC 401(b).

(2) Miscellaneous rate changes:

(aa) Proposal for change in rates as prescribed by PSC 402.

(bb) Substantiating documents and exhibits supporting the change requested.

(cc) Modified rates as prescribed in PSC 403.

(dd) Statement indicating the method of insuring the payment of refunds as prescribed in PSC 401(b).

(b) Methods and procedures for refunding.

(1) In the event that a hearing is ordered by the Commission as a result of a change in rates and proposed rates are suspended, the Commission shall allow the utility to place suspended rates into effect, as to services to be rendered on or subsequent to the effective date of the change in rates, subject to refund of the increase in rates or part thereof determined to be unreasonable by the Commission provided that the the payment of refunds is insured under either of the following methods:

(aa) File with the Commission a bond, signed by an authorized official of the utility, in an amount and with sureties approved by the Commission; or

(bb) File with the Commission an unqualified agreement, signed by an authorized official of the utility, to refund any portion of the increase in rates determined to be unreasonable together with interest thereon.

(2) Any increase in rates or part thereof determined by the Commission to be unreasonable shall be refunded to customers or credited to customers' accounts within ninety days from the effective date of the Commission order and determined in a manner prescribed by the Commission including interest at the average prime interest rate computed from the effective date of the proposed rates through the date of refund or credit.

(c) Procedures subsequent to notice:

(1) If a notice or an amended notice of a change in rates is not complete in all material respects as prescribed by PSC 400-405, it shall not constitute a valid notice and a statement as to the deficiencies shall be sent to the utility within ten days of receipt of the notice or amended notice giving the utility an opportunity to serve an amended notice. If such a statement is not sent, the notice or amended notice shall be deemed complete.

(2) Any amended notice shall be served at least thirty days prior to the proposed effective date of modified rates.

(3) If a notice or an amended notice is complete in all material respects as prescribed by PSC 400-405, the Commission shall follow the procedures outlined in the Rules of Practice PSC 500-517.

(4) Upon acceptance of the notice and the determination that a hearing shall be conducted, but before the proposed effective date of the modified rate schedules, the Commission may, by written directive, explaining the reasons therefor, signed by the authority of the Commission, and served upon the utility, suspend the operation of the utility's modified rate schedules but not for a longer period than ninety days beyond the time when the modified rates would otherwise go into effect unless the Commission shall find that a longer time will be required, in which case the Commission may further extend the period for not to exceed a total of nine months.

(5) Such directive shall include authority for the utility to place suspended rates into effect, subject to refund, provided that the bond and sureties or that the agreement to refund as specified in PSC 401(b)(1) is approved by the Commission.

(6) In the event that evidence is offered by a utility in a hearing which has been ordered by the Commission for the purpose of determining the reasonableness of proposed rates, such evidence which in the opinion of the Commission or presiding officer contradicts or materially alters information included in the notice as defined in PSC 402-404 will be received only upon good cause shown.

PSC 402 PROPOSAL FOR CHANGE IN RATES

The utility's proposal for a change in rates shall summarize the notice of change in rates and shall include the following information:

(a) Name, address, and telephone number of the utility without abbreviation and the name and address and telephone number of the attorney for the utility, if there be one.

(b) Date of filing and date modified rates are effective.

(c) Description and purpose of the change in rates requested.

(d) Effect of the change in rates expressed in gross revenue dollars and as a percentage of test year gross revenue if appropriate.

(e) Signature and title of utility officer authorizing the proposal.

PSC 403 MODIFIED RATES

(a) All proposed changes in rates shall be shown by filing new pages to the rate book previously filed with the Commission and by identifying those pages which were not changed.

(b) Each new or revised page of the rate book shall contain the information required for each page of the rate book and shall be in a format consistent with the currently filed rate book. In addition, each revised page shall contain the revision number and the page number of the revised page.

PSC 404 EXPERT OPINIONS AND SUPPORTING EXHIBITS

(a) Expert opinions and supporting exhibits shall include written statements, in question and answer format, together with supporting exhibits of utility personnel and other expert witnesses as deemed appropriate by the utility in support of the proposal.

(b) At a minimum, expert opinions shall include a statement by the chief executive officer or other designated official in support of the proposal.

(c) Supporting exhibits may be the same as those prescribed by PSC 405 or may make reference where appropriate to the supplemental information requirements prescribed by PSC 405.

PSC 405 SUPPLEMENTAL INFORMATION REQUIREMENTS

The following information shall be supplied as a part of the utility's notice of a change in rates. Information requirements (a), (b)(1), (c)(1), (d)(1), (e)(1) and (e)(2) as defined herein shall be supplied by all gas and electric utilities and all other supplemental information requirements prescribed by PSC 405 shall be supplied where applicable to the utility. Illustrative forms for filing this information shall be available from the Minnesota Department of Public Service.

(a) A jurisdictional financial summary schedule shall be filed showing:

(1) The proposed rate base, operating income, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the test year.

(2) The actual unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income, overall rate of return, and the calculation of income requirements, income deficiency and revenue requirements for the most recent fiscal year.

(3) The projected unadjusted average rate base consisting of the same components as the proposed rate base, unadjusted operating income under present rates, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the projected fiscal year.

(b) Rate base schedules:

(1) A rate base summary schedule by major rate base component (e.g. plant in service, construction work in progress, and plant held for future use) showing the proposed rate base, the unadjusted average rate base for the most recent fiscal year and unadjusted average rate base for the projected fiscal year. The totals for this schedule shall agree with the rate base amounts included in the financial summary.

(2) A comparison of total utility and Minnesota jurisdictional rate base amounts by detailed rate base component showing:

(aa) Total utility and the proposed jurisdictional rate base amounts for the test year including the adjustments, if any, used in determining the proposed rate base.

(bb) The unadjusted average total utility and jurisdictional rate base amounts for the most recent fiscal year and the projected fiscal year.

(3) Adjustment schedules, if any, showing the title, purpose and description, and the summary calculations of each adjustment used in determining the proposed jurisdictional rate base.

(4) A summary by rate base component of the assumptions made and the approaches used in determining average unadjusted rate base for the projected fiscal year. REA cooperatives may substitute Form 325, Schedule L for this filing requirement.

(5) For multi-jurisdictional utilities only, a summary by rate base component of the jurisdictional allocation factors used in allocating the total utility rate base amounts to the Minnesota jurisdiction. This summary shall be supported by a schedule showing for each allocation factor the total utility and jurisdictional statistics used in determining the proposed rate base and the Minnesota jurisdictional rate base for the most recent fiscal year and the projected fiscal year.

(c) Operating income schedules:

(1) A summary schedule of jurisdictional operating income statements which reflect proposed test year operating income, and unadjusted jurisdictional operating income for the most recent fiscal year and the projected fiscal year calculated using present rates.

(2) For multi-jurisdictional utilities only, a schedule showing the comparison of total company and unadjusted jurisdictional operating income statement for the test year, for the most recent fiscal year and the projected fiscal year. In addition, the schedule shall provide the proposed adjustments, if any, to jurisdictional operating income for the test year together with the proposed operating income statement.

(3) For investor-owned utilities only, a summary schedule showing the computation of total utility and allocated Minnesota jurisdictional federal and state income tax expense and deferred income taxes for the test year, the most recent fiscal year, and the projected fiscal year. This summary summary schedule shall be supported by a detailed schedule, showing the development of the combined federal and state income tax rates.

(4) A summary schedule of adjustments, if any, to jurisdictional test year operating income and detailed schedules for each adjustment providing an adjustment title, purpose and description of the adjustment and summary calculations.

(5) A schedule summarizing the approach used and the assumptions made in projecting each major element of operating income for the projected fiscal year. REA cooperatives may substitute Form 325, Schedule L for this filing requirement.

(6) For multi-jurisdictional utilities only, a schedule providing, by operating income element, the factor or factors used in allocating total utility operating income to Minnesota jurisdiction. This schedule shall be supported by a schedule which sets forth the statistics used in determining each jurisdictional allocation factor for the test year, the most recent fiscal year and the projected fiscal year.

(d) Rate of return/cost of capital schedules:

(1) A rate of return/cost of capital summary schedule showing the calculation of the weighted cost of capital using the proposed capital structure and the average capital structures for the most recent fiscal year and the projected fiscal year. This information shall be provided for the unconsolidated parent and subsidiary corporations, or for the consolidated parent corporation.

(2) Supporting schedules showing the calculation of the embedded cost of long-term debt, if any, and the embedded cost of preferred stock, if any, at the end of the most recent fiscal year and the projected fiscal year.

(e) Rate structure and design information:

(1) A summary comparison of test year operating revenue under present and proposed rates by customer class of service showing the difference in revenue and the percentage change.

(2) A detailed comparison of test year operating revenue under present and proposed rates by type of charge including minimum, demand, energy by block, gross receipts, automatic adjustments and other charge categories within each rate schedule and within each customer class of service.

(3) A cost of service study by customer class of service, by rate block, or other appropriate categorization showing revenues, costs, and profitability for each rate category selected, identifying the procedures and underlying rationale for cost and revenue allocations. Such study is appropriate whenever the utility proposes a change in rates which results in a material change in its rate structure.

(f) Other supplemental information:

(1) Annual report to stockholders or members including financial statements and statistical supplements for the most recent fiscal year. If a utility is not audited by an independent public accountant, unaudited financial statements will satisfy this filing requirement.

(2) For investor-owned utilities only, a schedule showing the development of the gross revenue conversion factor.

(3) For cooperatives only, REA Form 7 - Financial and Statistical Report for the last month of the most recent fiscal year.

(4) For cooperatives only, REA Form 7A - Annual Supplement to Financial and Statistical Report.

(5) For REA cooperatives only, REA Form 325 - Financial Forecast.

PSC 406 ADDITIONAL INFORMATION REQUESTS

Upon review of a utility's notice of a change in rates or subsequent thereto, the Commission may request a utility to provide, within thirty days of request, or such longer period determined by the Commission to be reasonable for good cause shown, additional information to supplement the information prescribed by PSC 405.

ILLUSTRATIVE FORMS

GENERAL RATE CHANGES

INVESTOR OWNED ELECTRIC AND GAS UTILITIES

(CLASS A AND B)

Illustrative Forms are
not a Part of the Rule.

ILLUSTRATIVE SUMMARY SCHEDULES

A-1	OVERALL FINANCIAL SUMMARY
B-1	RATE BASE SUMMARY
C-1	OPERATING INCOME SUMMARY
D-1	RATE OF RETURN/COST OF CAPITAL SUMMARY
E-1	SUMMARY COMPARISON OF JURISDICTIONAL OPERATING REVENUE UNDER PRESENT AND PROPOSED RATES FOR THE TEST YEAR

Schedule B-1

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

RATE BASE SUMMARY
MINNESOTA JURISDICTION

Line No.	Rate Base Components	Utility Proposed (a)	Actual Unadjusted Most Recent Fiscal Year (b)	Unadjusted Projected Fiscal Year (c)
1	Utility plant in service			
2	Less: Accumulated depreciation and amortization			
3	Net utility plant in service			
4	Plant held for future use			
5	Construction work in progress			
6	Plant acquisition adjustments net of accumulated amortization			
7	Less: Noninvestor capital			
8	Other (itemize):			
	Total	A-1 B-2	A-1 B-2	A-1 B-2

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

OVERALL FINANCIAL SUMMARY

(Minnesota Jurisdiction)

Line No.	Description	Reference to Supporting Schedule	Utility Proposed (a)	Actual Unadjusted Most Recent Fiscal Year (b)	Unadjusted Projected Fiscal Year (c)
1	Rate base	B–1			
2	Operating income	C–1			
3	Overall rate of return (2 ÷ 1)				
4	Rate of return/cost of capital	D–1			
5	Rate of return/cost of capital requested *				
6	Required operating income (1 x 4 or 5)				
7	Income deficiency (6 – 2)				
8	Gross revenue conversion factor				
9	Revenue increase requested (7 x 6)				

*Rate of return determined on D–1 or lesser rate of return.

Investor

Schedule C-1

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

OPERATING INCOME SUMMARY
ELECTRIC UTILITIES

Line No.	Description	Utility Proposed Test Year (a)	Actual Unadjusted Most Recent Fiscal Year (b)	Projected Fiscal Year (c)
1	Utility operating revenue			
2	Sales of electricity			
3	Residential			
4	Commercial and industrial			
5	Public street and highway lighting			
6	Other sales to public authorities			
7	Railroads and railways			
8	Sales for resale			
9	Interdepartmental sales			
10	Total sales of electricity			
11	Other operating revenue			
12	Total operating revenue			
13	Utility operating expenses:			
14	Power production:			
15	Steam			
16	Nuclear			
17	Hydraulic			
18	Other power generation			
19	Transmission			
20	Distribution			
21	Customer accounts			
22	Sales			
23	Administrative and general			
24	Provision for deprecation and amortization			
25	Total operating expenses before taxes			
26	Utility Operating income before taxes and AFDC			
27	Taxes			
28	Federal and state income			
29	Other			
30	Total taxes			
31	Utility operating income before AFDC			
32	Allowance for funds used during construction			
33	UTILITY OPERATING INCOME	(A-1)(C-2)	(A-1) (C-2)	(A-1) (C-2)

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

RATE OF RETURN/COST OF CAPITAL SUMMARY

Line No.	Class of Capital	Utility Proposed Amount (a)	% of Total (b)	Cost (c)	Weighted Cost (d)	Average for Most Recent Fiscal Year Amount (e)	% of Total (f)	Cost (g)	Weighted Cost (h)	Average for Projected Fiscal Year Amount (i)	% of Total (j)	Cost (k)	Weighted Cost (l)
1	Short-term debt												
2	Long-term debt												
3	Total debt												
4	Preferred stock												
5	Common equity			*				*				*	
6	Total capital												

*Utility requested.

Investor

Schedule E-1

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY COMPARISON OF JURISDICTIONAL OPERATING REVENUE
UNDER PRESENT AND PROPOSED RATES FOR THE TEST YEAR

Line No.	Customer Class of Service	Operating Revenue		Difference	% Change
		Present (a)	Proposed (b)	(c)	(d)
	Total - All Clases of Service	(C-1)(C-2)			

Investor

ILLUSTRATIVE SUPPORTING SCHEDULES

B-2	DETAIL SCHEDULE OF RATE CASE COMPONENTS
B-3	SUMMARY OF ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE
B-3.1	SUPPORTING DETAIL FOR ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE
B-4	SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR RATE BASE
B-5	SUMMARY OF JURISDICTIONAL ALLOCATION FACTORS
B-5.1	ALLOCATION STATISTICS
C-2	OPERATING INCOME STATEMENTS
C-3	COMPUTATION OF FEDERAL AND STATE INCOME TAXES AND DEFERRED INCOME TAXES
C-4	SUMMARY OF UTILITY PROPOSED ADJUSTMENTS TO TEST YEAR OPERATING INCOME
C-4.1	SUPPORTING DETAIL FOR UTILITY PROPOSED ADJUSTMENTS TO TEST YEAR OPERATING INCOME
C-5	SUMMARY APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR OPERATING INCOME STATEMENT
C-6	SUMMARY OF JURISDICTIONAL ALLOCATION FACTORS
C-6.1	ALLOCATION STATISTICS
D-2	EMBEDDED COST OF LONG-TERM DEBT AT THE END OF THE MOST RECENT FISCAL YEAR AND THE PROJECTED FISCAL YEAR
D-3	EMBEDDED COST OF PREFERRED STOCK AT THE END OF THE MOST RECENT FISCAL YEAR AND THE PROJECTED FISCAL YEAR
E-2	COMPARISON OF OPERATING REVENUES UNDER PRESENT AND PROPOSED RATES BY RATE CHARGE WITHIN EACH RATE SCHEDULE FOR THE TEST YEAR
F-1	DEVELOPMENT OF GROSS REVENUE CONVERSICN FACTOR

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

Schedule B–2

DETAIL SCHEDULE OF RATE BASE COMPONENTS

Line No.	Description	Utility Proposed Test Year						Most Recent Fiscal Year			Projected Fiscal Year		
		Total Utility (a)	Unadjusted Minnesota Jurisdiction (b)	% of Total Utility (c)	Adjustment Increase (Decrease) (d)	Adjustment Reference	Utility Proposed (e)	Total Utility (f)	Minnesota Jurisdiction (g)	% of Total Utility (h)	Total Utility (i)	Minnesota Jurisdiction (j)	% of Total Utility (k)
1	Utility plant in service:												
2	Intangible												
3	Production												
4	Steam												
5	Nuclear												
6	Hydraulic												
7	Other												
8	Total production plant												
9	Transmission												
10	Distribution												
11	General												
12	Total utility plant in service												
13	Accumulated provision for deprecation and amortization :												
14	Intangible												
15	Production												
16	Steam												
17	Nuclear												
18	Hydraulic												
19	Other												
20	Total production plant												
21	Transmission												
22	Distribution												
23	General												
24	Total accumulated provision for depreciation and amortization:												
25	Net utility plant in service:												
26	Intangible												
27	Production												
28	Steam												
29	Nuclear												
30	Hydraulic												
31	Other												
32	Total production plant												
33	Transmission												
34	Distribution												
35	General												
36	Net Utility Plant in Service												
37	Utility plant held for future use												
38	Construction work in progress												
39	Plant acquisition adjustments - net of accumulated amortization												
40	Less: Noninvestor capital												
41	Other components (itemize)												
	TOTAL				B–3		B–1		B–1			B–1	

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE

Line No.	Rate Base Component	Adjustment Number	Adjustment Title	Amount

Total Proposed Adjustments B-2

NOTE: This schedule is optional and shall only be used when there is more than one adjustment per rate base component.

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUPPORTING DETAIL FOR ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE

Adjustment number: _____

Adjustment title: _____

Purpose and description: _____

_____

_____

_____

_____

Summary calculations:

ADJUSTMENT TOTAL B-3

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR RATE BASE

Rate Base Component	Projection Assumptions and Approaches (narrative)

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF JURISDICTIONAL ALLOCATION FACTORS

Rate Base Component	Description of Factor and/or Method of Allocation
Investor	

Schedule B-5.1

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

ALLOCATION STATISTICS

Line No.	Allocation Factor	Utility Proposed Test Year			Most Recent Fiscal Year			Projected Fiscal Year		
		Total Utility (a)	Minnesota Jurisdiction (b)	% of Total Utility (c)	Total Utility (d)	Minnesota Jurisdiction (e)	% of Total Utility (f)	Total Utility (g)	Minnesota Jurisdiction (h)	% of Total Utility (i)

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

OPERATING INCOME STATEMENTS

ELECTRIC UTILITIES

Line No.	Description	Utility Proposed Test Year						Most Recent Fiscal Year			Projected Fiscal Year		
		Total Utility	Unadjusted Minnesota Jurisdiction	% of Total Utility	Adjustment Increase (Decrease)	Adjustment Reference	Utility Proposed	Total Utility	Minnesota Jurisdiction	% of Total Utility	Total Utility	Minnesota Jurisdiction	% of Total Utility
		(a)	(b)	(c)	(d)		(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Utility Operating Revenue												
2	Sales of electricity												
3	Residential												
4	Commercial and industrial												
5	Public street and highway												
6	Other sales to public authorities												
7	Sales to railroads and railways												
8	Sales for resale												
9	Interdepartmental												
10	Total sales of electricity												
11	Other operating revenues												
12	Total utility operating revenue												
13	Operating Expenses												
14	Production												
15	Steam												
16	Nuclear												
17	Hydraulic												
18	Other power generation												
19	Total Production expenses												
20	Transmission												
21	Distribution												
22	Customer accounts												
23	Sales												
24	Administrative and general												
25	Depreciation and amortization												
26	Total operating expenses before tax												
27	Utility operating income before taxes and AFDC												
28	Taxes												
29	Federal and state income												
30	Other												
31	Total Taxes												
31	Utility operating income before AFDC												
32	Allowance for funds used during construction												
34	UTILITY OPERATING INCOME				C–4		C–1		C–1			C–1	

Investor

Schedule C–3

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

COMPUTATION OF FEDERAL AND STATE INCOME TAXES

AND DEFERRED INCOME TAXES

UTILITY PROPOSED

Line No.	Description	Test Year		Most Recent Fiscal Year		Projected Fiscal Year	
		Total Utility (a)	Minnesota Jurisdiction (b)	Total Utility (c)	Minnesota Jurisdiction (d)	Total Utility (e)	Minnesota Jurisdiction (f)
	Operating income						
	Operating expense before taxes, depreciation and amortization						
	Operating income before taxes, depreciation and amortization						
	Deduct:						
	Tax depreciation						
	Tax amortization						
	Interest cost						
	Other (itemize)						
	Total						
	Net taxable income						
	Combined federal and state income tax rate						
	Federal and state income taxes before investment credits						
	Investment tax credits						
	Federal and state income taxes						
	Deferred income taxes:						
	Depreciation:						
	Depreciation per tax return						
	Depreciation per books						
	Excess of tax depreciation over book depreciation						
	Combined federal and state income tax rate						
	Deferred income taxes resulting from depreciation						
	Amortization of prior year's deferred income taxes						
	Net deferred income taxes resulting from depreciation						
	Other items resulting in a deferral of taxes:						
	(same format of computation)						
	Total net deferred income taxes						

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF UTILITY PROPOSED ADJUSTMENTS
TO TEST YEAR OPERATING INCOME
ELECTRIC UTILITIES

Line No.	Component of Operating Income	TITLE OF ADJUSTMENT (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	Total Adjustments (l)
1	Utility operating revenue:												
2	Sales of electricity												
3	Residential												
4	Commercial and industrial												
5	Public street and highway lighting												
6	Other sales to public authorities												
7	Railroads and railways												
8	Sales for resale												
9	Interdepartmental sales												
10	Total sales of electricity												
11	Other operating revenue												
12	Total utility operating income												
13	Operating expenses:												
14	Power production												
15	Steam												
16	Nuclear												
17	Hydraulic												
18	Other power generation												
19	Transmission												
20	Distribution												
21	Customer accounts												
22	Sales												
23	Administrative and general												
24	Provision for depreciation and amortization												
25	Total operating expenses before taxes												
26	Utility operating income before taxes and AFDC												
27	Taxes												
28	Federal and state income												
29	Other												
30	Total taxes												
31	Operating income before AFDC												
32	Allowance for funds used during construction												
33	UTILITY OPERATING INCOME												C-2
34	Reference to summary calculations on succeeding pages												

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUPPORTING DETAIL FOR UTILITY PROPOSED
ADJUSTMENTS TO TEST YEAR OPERATING INCOME

Adjustment Title: _____

Purpose and Description: _____

_____

_____

_____

_____

Summary Calculations:

ADJUSTMENT TOTAL _____

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR OPERATING INCOME STATEMENT

Element of Operating Income	Projection Assumptions and Approaches (Narrative)

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF JURISDICTIONAL ALLOCATION FACTORS

Element of Operating Income	Description of Factor and/or Method of Allocation

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

Schedule C–8.1

ALLOCATION STATISTICS

Line No.	Operating Income Allocation Factor	Utility Proposed Test Year						Most Recent Fiscal Year			Projected Fiscal Year		
		Total Utility (a)	Unadjusted Minnesota Jurisdiction (b)	% of Total Utility (c)	Adjustment Increase (Decrease) (d)	Adjustment Reference	Utility Proposed (e)	Total Utility (f)	Minnesota Jurisdiction (g)	% of Total Utility (h)	Total Utility (i)	Minnesota Jurisdiction (j)	% of Total Utility (k)

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

EMBEDDED COST OF LONG-TERM DEBT AT THE END OF THE MOST RECENT FISCAL YEAR AND THE PROJECTED FISCAL YEAR

Line No.	Description of Debt Issue	Date Issued	Amount of Original Issue	(a) Amount Outstanding End of Year	(b) Unamortized Premium (Discount) End of Year	(c) (a) + (b) Debt Carrying (1) Value	(d) Annual Interest Payments	(e) Annual Amortization Discount (Premium)(2)	(f) (d)+(e) Annual Interest Cost	(g) Embedded Cost
	Most recent fiscal year:									
	Coupon rate, due date									
	_____									
	_____									
				_____	_____	_____	_____	_____	_____	
	Balance, end of most recent fiscal year			_____	_____	_____	_____	_____	_____	D-1
	Deduct: Retirements in projected fiscal year									
	Coupon rate, due date									
	_____									
	_____									
	Add: Projected fiscal year financing									
	Coupon rate, due date									
	_____									
	_____			_____	_____	_____	_____	_____	_____	
	Balance, End of Projected Fiscal Year			═══	═══	═══	═══	═══	═══	D-1

(1) Includes unamortized debt expense.
(2) Includes amortization of deferred debt expense.

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

EMBEDDED COST OF PREFERRED STOCK AT END OF THE MOST RECENT FISCAL YEAR AND THE PROJECTED FISCAL YEAR

Line No.	Description	Date of Issue	Shares Outstanding (a)	Par Value (b)	Amount Outstanding (c)	Annual Dividends (d)	Embedded Cost (e)
	Issues:						
	Premium						
	Balance, end of most recent fiscal year						
	Embedded cost at end of most recent fiscal year, total (d) ÷ total (c)						D-1
	Deduct project fiscal year retirements:						
	Add projected fiscal year financing:						
	Balance, end of projected fiscal year						
	Embedded cost at end of projected fiscal year, total (d) ÷ total (d)						D-1

Investor

Schedule E-2

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

COMPARISON OF OPERATING REVENUES UNDER PRESENT AND PROPOSED RATES BY RATE CHARGE WITHIN EACH RATE SCHEDULE FOR THE TEST YEAR

Class of Service and Rate Schedule	Type of Charge	Basis or Unit Upon which Rates are Applied	Total Units for Test Year (a)	Base Rates Present (b)	Base Rates Proposed (c)	Operating Revenue Present (d)	Operating Revenue Proposed (e)
Class of Service #1							
Schedule A	Minimum	# of billings					
	Demand	None					
	Energy Blocks:						
	First 100	KWH					
	Next 200	KWH					
	Next 500	KWH					
	Over 1000	KWH					
	TOTAL						
Schedule B	Minimum	# of billings					
	Demand	None					
	Energy Blocks:						
	First 100	KWH					
	Next 200	KWH					
	Next 500	KWH					
	Over 1000	KWH					
	TOTAL						
	Gross Receipts						
	Automatic Adjustments						
	Total Class of Service #1					E-1	E-1

Investor

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SCHEDULE SHOWING THE DEVELOPMENT OF THE GROSS REVENUE CONVERSION FACTOR

Line No.	Description	% of Incremental Gross Revenues
	Federal income taxes	
	State income taxes	
	Other taxes and expenses (itemize):	
	Total Tax Percentage	

Operating Income % = 100% - Tax Percentage

$$\text{Gross Revenue Conversion Factor} = \frac{1}{\text{Operating Income \%}}$$

Note: All tax percentages shall include the effect of other taxes upon the incremental rate.

Investor

ILLUSTRATIVE FORMS

GENERAL RATE CHANGES

ELECTRIC AND GAS COOPERATIVES

(OPERATING WHOLLY WITHIN MINNESOTA)

Illustrative Forms are
Not a Part of the Rule.

ILLUSTRATIVE SUMMARY SCHEDULES

A-1	OVERALL FINANCIAL SUMMARY
B-1	RATE BASE SUMMARY
C-1	OPERATING INCOME SUMMARY
D-1	RATE OF RETURN/COST OF CAPITAL SUMMARY
E-1	SUMMARY COMPARISON OF OPERATING REVENUE UNDER PRESENT AND PROPOSED RATES FOR THE TEST YEAR

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

OVERALL FINANCIAL SUMMARY

Line No.	Description	Reference to Supporting Schedule	Utility Proposed (a)	Actual Unadjusted Most Recent Fiscal Year (b)	Unadjusted Projected Fiscal Year (c)
1	Rate base	B–1			
2	Operating income	C–1			
3	Overall rate of return (2 ÷ 1)				
4	Rate of return/cost of capital	D–1			
5	Rate of return/cost of capital requested*				
6	Required operating income (1 x 4 or 5)				
7	Income deficiency (6 – 2)				

*Rate of return determined on D–1 or lesser rate of return

Co–op

Schedule B-1

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

RATE BASE SUMMARY

Line No.	Rate Base Components	Utility Proposed (a)	Actual Unadjusted Most Recent Fiscal Year (b)	Unadjusted Projected Fiscal Year (c)
1	Utility plant in service			
2	Less: Accumulated depreciation and amortization			
3	Net utility plant in service			
4	Plant held for future use			
5	Construction work in progress			
6	Plant acquisition adjustments net of accumulated amortization			
7	Less: Non-investor capital			
8	Other (itemize)			
	Total	A-1 B-2	A-1 B-2	A-1 B-2

Co-op

Schedule C-1

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

OPERATING INCOME SUMMARY

Line No.		Utility Proposed Test Year (a)	Actual Unadjusted Most Recent Fiscal Year (b)	Projected Fiscal Year (c)
1	Operating revenue:			
2	Sales of electricity			
3	Residential			
4	Irrigation			
5	Commercial and industrial			
6	Public street and highway lighting			
7	Sales to public buildings and other public authorities			
8	Sales for resale			
9	Total sales of electricity			
10	Other operating revenues			
11	Total operating revenue			
12	Operating expenses:			
13	Power production - generation			
14	Cost of purchased power			
15	Transmission			
16	Distribution			
17	Customer accounts			
18	Sales			
19	Administrative and general			
20	Depreciation and amortization			
21	Tax expense - property			
22	Tax expense - other			
23	Total operating expenses			
24	Operating income before allowance for funds used during construction			
25	Allowance for funds used during construction			
26	OPERATING INCOME	A-1 C-2	A-1 C-2	A-1 C-2

Co-op

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

RATE OF RETURN/COST OF CAPITAL SUMMARY

Line No.	Class of Capital	Utility Proposed				Average for Most Recent Fiscal Year				Average for Projected Fiscal Year			
		Amount (a)	% of Total (b)	Cost (c)	Weighted Cost (d)	Amount (e)	% of Total (f)	Cost (g)	Weighted Cost (h)	Amount (i)	% of Total (j)	Cost (k)	Weighted Cost (l)
1	Short-term debt												
2	Long-term debt												
3	Total debt												
4	Total margins and equities			*				*				*	
5	Total capital												

* Company requested.

Coop

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY COMPARISON OF OPERATING REVENUE
UNDER PRESENT AND PROPOSED RATES FOR THE TEST YEAR

Line No.	Customer Class of Service	Operating Revenue Present (a)	Operating Revenue Proposed (b)	Difference (c)	% Change (d)
	Total - All Classes of Service	(C-1) (C-2)			

Co-op

ILLUSTRATIVE SUPPORTING SCHEDULES

B-2	DETAIL SCHEDULE OF RATE BASE COMPONENTS
B-3	SUMMARY OF ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE
B-3.1	SUPPORTING DETAIL FOR ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE
B-4	SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR RATE BASE (NON-REA COOPERATIVES ONLY)
C-2	UTILITY PROPOSED OPERATING INCOME STATEMENT FOR THE TEST YEAR
C-3	SUMMARY OF UTILITY PROPOSED ADJUSTMENTS TO TEST YEAR OPERATING INCOME
C-3.1	SUPPORTING DETAIL FOR UTILITY PROPOSED ADJUSTMENTS TO TEST YEAR OPERATING INCOME
C-4	SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR OPERATING INCOME STATEMENT (NON-REA COOPERATIVES ONLY)
D-2	EMBEDDED COST OF LONG-TERM DEBT AT THE END OF THE MOST RECENT FISCAL YEAR AND THE PROJECTED FISCAL YEAR
E-2	COMPARISON OF OPERATING REVENUES UNDER PRESENT AND PROPOSED RATES BY RATE CHARGE WITHIN EACH RATE SCHEDULE FOR THE TEST YEAR
	REA FORM 7 - FINANCIAL AND STATISTICAL REPORT (LAST MONTH OF MOST RECENT FISCAL YEAR)
	REA FORM 7A - ANNUAL SUPPLEMENT TO FINANCIAL AND STATISTICAL REPORT
	REA FORMS 325 - FINANCIAL FORECAST

Co-op

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

DETAIL SCHEDULE OF RATE BASE COMPONENTS

Line No.	Rate Base Components	Unadjusted (a)	Adjustments Increase (Decrease) (b)	Adjustment Reference (c)	Adjusted (d)
1	Utility plant in service:				
2	Intangible				
3	Production				
4	Steam				
5	Nuclear				
6	Hydraulic				
7	Other				
8	Total production plant				
9	Transmission				
10	Distribution				
11	General				
12	Total utility plant in service				
13	Accumulated provision for depreciation and amortization:				
14	Intangible				
15	Production				
16	Steam				
17	Nuclear				
18	Hydraulic				
19	Other				
20	Total production plant				
21	Transmission				
22	Distribution				
23	General				
24	Total accumulated provision for depreciation and amortization:				
25	Net utility plant in service:				
26	Intangible				
27	Production				
28	Steam				
29	Nuclear				
30	Hydraulic				
31	Other				
32	Total production plant				
33	Transmission				
34	Distribution				
35	General				
36	Net utility plant in service				
37	Utility plant held for future use				
38	Construction work in progress				
39	Plant acquisition adjustments – net of accumulated amortization				
40	Less: Noninvestor capital				
41	Other components (itemize)				
	TOTAL		B–3		B–1

Co–op

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF ADJUSTMENTS MADE IN THE DETERMINATION
OF UTILITY PROPOSED RATE BASE

Line No.	Rate Base Component	Adjustment Number	Adjustment Title	Amount

Total Proposed Adjustments B-2

NOTE: This schedule is optional and shall only be used when there is more than one adjustment per rate base component.

Coop

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUPPORTING DETAIL FOR ADJUSTMENTS MADE IN THE DETERMINATION OF UTILITY PROPOSED RATE BASE

Adjustment number: _____

Adjustment title: _____

Purpose and description: _____

_____

_____

_____

_____

Summary calculations:

ADJUSTMENT AMOUNT _____ B–3

Co-op

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING PROJECTED FISCAL YEAR RATE BASE

(Non-REA Cooperatives Only)

Rate Base Component	Projection Assumptions and Approaches (narrative)

Coop

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

UTILITY PROPOSED OPERATING INCOME STATEMENT FOR THE TEST YEAR

Line No.	Description	Unadjusted	Adjustment Increase (Decrease)	Adjustment Reference	Adjusted
1					
1	Operating revenue:				
2	Sales of electricity				
3	Residential				
4	Irrigation				
5	Commercial and industrial				
6	Public street and highway lighting				
7	Sales to public buildings and other public authorities				
8	Sales for resale				
9	Total sales of electricity				
10	Other operating revenues				
11	Total operating revenue				
12	Operating expenses:				
13	Power production – generation				
14	Cost of purchased power				
15	Transmission				
16	Distribution				
17	Customer accounts				
18	Sales				
19	Administrative and general				
20	Depreciation and amortization				
21	Tax expense – property				
22	Tax expense – other				
23	Total operating expenses				
24	Operating income before allowance for funds used during construction				
25	Allowance for funds used during construction				
26	OPERATING INCOME		C–3		C–1

Coop

Schedule C-3

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF UTILITY PROPOSED ADJUSTMENTS
TO TEST YEAR OPERATING INCOME
ELECTRIC UTILITIES

Line No.	Description	TITLE OF ADJUSTMENT											Total Adjustments
1	Operating revenue:												
2	Sales of electricity												
3	Residential												
4	Irrigation												
5	Commercial and industrial												
6	Public street and highway lighting												
7	Sales to public buildings and other public authorities												
8	Sales for resale												
9	Total sales of electricity												
10	Other operating revenues												
11	Total operating revenue												
12	Operating expenses:												
13	Power production - generation												
14	Cost of purchased power												
15	Transmission												
16	Distribution												
17	Customer accounts												
18	Sales												
19	Administrative and general												
20	Depreciation and amortization												
21	Tax expense - property												
22	Tax expense - other												
23	Total operating expenses												
24	Operating income before allowance for funds used during construction												
25	Allowance for funds used during construction												
26	OPERATING INCOME												C-2
27	Reference to summary calculations on succeeding pages												

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUPPORTING DETAIL FOR UTILITY PROPOSED

ADJUSTMENTS TO TEST YEAR OPERATING INCOME

Adjustment Title: _____

Purpose and Description: _____

_____

_____

_____

_____

Summary Calculations:

ADJUSTMENT TOTAL C–3

Co–op

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

SUMMARY OF APPROACH USED AND ASSUMPTIONS MADE IN DETERMINING
PROJECTED FISCAL YEAR OPERATING INCOME STATEMENT

(Non-REA Cooperatives Only)

Element of Operating Income	Projection Assumptions and Approaches
	(Narrative)

Schedule D-2

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

EMBEDDED COST OF LONG-TERM DEBT AT THE END OF THE MOST RECENT FISCAL YEAR AND THE PROJECTED FISCAL YEAR

Line No.	Description of Debt Issue	Date Issued	Amount of Original Issue	(a) Amount Outstanding End of Year	(b) Unamortized Premium (Discount) End of Year	(c) (a) + (b) Debt Carrying (1) Value	(d) Annual Interest Payments	(e) Annual Amortization Discount (Premium)(2)	(f) (d)+(e) Annual Interest Cost	(g) Embedded Cost
	Most recent fiscal year:									
	Coupon rate, due date									
	Balance, end of most recent fiscal year									D-1
	Deduct: Retirements in projected fiscal year									
	Coupon rate, due date									
	Add: Projected fiscal year financing									
	Coupon rate, due date									
	Balance, End of Projected Fiscal Year									D-1

(1) Includes unamortized debt expense.
(2) Includes amortization of deferred debt expense.

Co-op

Schedule E-2

MINNESOTA DEPARTMENT OF PUBLIC SERVICE

COMPARISON OF OPERATING REVENUES UNDER PRESENT AND PROPOSED RATES BY RATE CHARGE WITHIN EACH RATE SCHEDULE FOR THE TEST YEAR

Class of Service and Rate Schedule	Type of Charge	Basis or Unit Upon which Rates are Applied	Total Units for Test Year (a)	Base Rates Present (b)	Base Rates Proposed (c)	Operating Revenue Present (d)	Operating Revenue Proposed (e)
Class of Service #1							
Schedule A	Minimum	# of billings					
	Demand	None					
	Energy Blocks:						
	First 100	KWH					
	Next 200	KWH					
	Next 500	KWH					
	Over 1000	KWH					
	TOTAL						
Schedule B	Minimum	# of billings					
	Demand	None					
	Energy Blocks:						
	First 100	KWH					
	Next 200	KWH					
	Next 500	KWH					
	Over 1000	KWH					
	TOTAL						
	Gross Receipts						
	Automatic Adjustments						
	Total Class of Service #1					E-1	E-1

Coop

REA FORM 7 - FINANCIAL AND STATISTICAL REPORT

LAST MONTH OF MOST RECENT FISCAL YEAR

REA FORM 7A - ANNUAL SUPPLEMENT TO

FINANCIAL AND STATISTICAL REPORT

REA FORMS 325 - FINANCIAL FORECAST

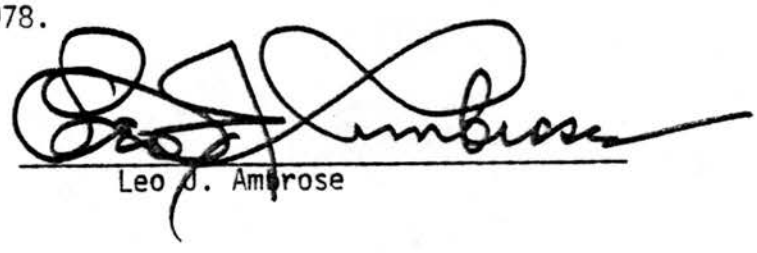
CERTIFICATION OF COMMISSION'S
AUTHORIZING RESOLUTION

I, Leo J. Ambrose, do hereby certify that I am the duly appointed 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 30th day of December 1974; that a quorum was present at said meeting; that a majority of those present voted for the resolution; that the Secretary was instructed to take all action necessary for convening a rules hearing; that the following resolution is set forth in the minutes of said meeting and that it has not been rescinded or modified:

> 1076: It was moved and approved that a public hearing be convened on Wednesday, February 12, 1975, at 10:00 A.M., in the Hearing Room of the Commission, 7th Floor, American Center Building, St. Paul, Minnesota, for the purpose of hearing the new proposed rules for rate filing by the gas and electric utilities, pursuant to the provision 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 20th day of June, 1978.



Leo J. Ambrose

(S E A L)

APPROVED BY COMMN.

Dc

Approved of Record

_____ 19__

_____ 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 the Filing of Proposed Rates for Gas and Electric Public Utilities Under the Jurisdiction of the Department of Public Service.

ORDER FOR HEARING

PSC Docket No. A-8117-12

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 procedures in the changing of rates 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 the Hearing Room of the Commission on the Seventh Floor of the American Center Building, Kellogg and Robert Streets, Wednesday, February 12, 1975, commencing at 10:00 a.m. (CST), and continuing until all representatives or interested groups of 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 30th day of December, 1975.

(S E A L)

COMMISSION ORIGINAL

BEFORE THE MINNESOTA PUBLIC SERVICE COMMISSION

Richard J. Parish	Chairman
Ruth R. Cain	Commissioner
L. Warren Lazenberry	Commissioner
Katherine E. Sasseville	Commissioner
Juanita R. Satterlee	Commissioner

In the Matter of Proposed Rules of the Minnesota Public Service Commission Relating to Filing of Proposed Rates for Gas and Electric Public Utilities Under the Jurisdiction of the Department of Public Service

PSC Docket No. A-8117-12

(Change in Rates - PSC 400-407)

Approved of record
6/19/1978
Secretary

FINDINGS OF FACT, CONCLUSION AND ORDER

The above-captioned matter as it relates to the proposed Minnesota Rules and Regulations relative to changes in rates for gas and electric regulation came on for hearing before the full Commission, Karl F. Rolvaag, Chairman, Arlen I. Erdahl, Katherine E. Sasseville, Richard W. Session, Commissioners, presiding on the 12th day of February, 1975, at 10:00 a.m., in the Hearing Room of the Commission on the Seventh Floor of the American Center Building, Kellogg and Robert Streets, St. Paul, Minnesota, after proper notice as required by Minnesota Statutes, Section 15.0412 (1971) had been served upon all persons registered with the Secretary of State for the 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, the Commission finds the following facts in support of the rules and regulations relating to change in rates for gas and electric utilities.

I

GENERAL

The Minnesota Public Utilities Act, Minn. Stat. §216B (1976), (hereinafter the "Act"), provides that the Public Service Commission, (hereinafter "Commission"), shall regulate changes in gas and electric utility rates. Minn. Stat. §216B.16, Subd. 2 (1976).

Apart from the statutory responsibility and authority vested in this Commission, the staff identified a general need for the regulation of changes in rates. Some of the key reasons are:

1. To protect the consumer from electrical or gas rates which are unjust, unreasonable, or discriminatory.

2. To maintain the financial viability and stability of the utility such that it is able to furnish safe, adequate, efficient, and reasonable service to the customer.

In general, all of these reasons for regulation of changes in rates support the overall legislative intent of the Act, which is to provide the retail consumer with adequate and reliable service at a reasonable rate. Minn. Stat. § 216B.01 (1976). Also, § 8 of the Act confers authority upon the Commission to make rules in furtherance of the purposes of the Act.

Based upon the overall need for regulation of changes in rates, the staff proposed rules PSC 400 to PSC 406 for consideration at the hearing.

These rules are intended to apply to privately and cooperatively owned gas and electric utilities as defined in Minn. Stat. § 216B.02, Subd. 4 (1976). The affected utilities would be required to:

1. File with the Commission notice of change in rates as defined by PSC 401 (a), and as prescribed by Minn. Stat. § 216B.16, Subd. 1 (1976). The Act requires that the utility file exhibits supporting the change in rates. Minn. Stat. § 216B.16, Subd. 1 (1976). The staff has defined in PSC 405 what it considers to be the minimum information needed to support a change in rates. The utility may at its option file such information as a part of the requirements of PSC 404. The utility's exhibits required by PSC 404 need not be the same as the staff-specified exhibits in PSC 405.

2. Follow the methods and procedures for insuring the payment of refunds when suspended rates are placed into effect subject to refund and for refunding with interest any increase in rates or part thereof ultimately determined by the Commission to be unjust or unreasonable as prescribed by PSC 401(b), pursuant to Minn. Stat. § 216B.16, Subd. 3 (1976); and

3. Provide the Commission with information in addition to that provided as a part of the notice of a change in rates when staff analysis determines that such additional information is necessary. PSC 406.

These rules for the regulation of changes in rates were developed to assist the Commission in meeting the following regulatory objectives:

1. Identifying the procedures which utilities would follow when proposing a change in rates;

2. Identifying the minimum information required by the Commission for the purposes of:

   a. Determining whether or not a public hearing should be ordered upon the Commission's own motion;

   b. Assessing the reasonableness of a requested change in rates;

   c. Reducing regulatory lag by having needed information readily available for Commission and staff evaluation;

   d. Assisting the utility in expressing and supporting its need for a proposed change in rates; and

   e. Providing consistent and objective information for staff evaluation of the utility's need for a change in rates.

In order to meet these regulatory objectives, the staff:

1. Conducted an investigation of the regulatory approaches of the Federal Power Commission, the Rural Electrification Administration (REA) and the states of Arizona, California, Colorado, Georgia, Iowa, Michigan and Wisconsin;

2. Reviewed information requested in prior rate cases;

3. Utilized the regulatory experience provided by the international accounting firm of Touche Ross and Co.;

4. Researched the appropriateness of using a return on investment approach and other approaches to rate making for cooperatives; and

5. Reviewed the current regulatory approaches for cooperatives.

As a result of the staff's research, it was determined that there have been two traditional approaches to rate making:

1. The return on investment approach used for investor-owned utilities; and

2. The debt service coverage approach used for cooperative utilities.

The return on investment approach is the traditional approach used for investor-owned utilities whereby the utility is allowed to set rates which will result in the operating income equal to an allowed rate of return times its rate base. On the other hand, the debt service coverage approach has traditionally been the approach used in the regulation of cooperatives because of the difficulty in determining a rate of return for the cooperative's patron equity which is not sold in public money markets and the REA requirement which requires REA borrowers to maintain minimum times interest earned and debt service coverage ratios. However, the staff's research disclosed that recently the REA and the national and state rural electric cooperative associations have begun studying methods of determining cooperative margin requirements. The reason for this study has been the inability of REA to provide the necessary capital required for the growth of cooperatives and the creation of the Cooperative Financial Corporation (CFC) in 1969. CFC was created by the electric cooperatives for the purpose of raising capital to supplement loans received from the REA. Since CFC raises a portion of its capital by selling first mortgage bonds in the open capital markets, the electric cooperatives are indirectly competing in the open money markets against investor-owned utilities. As a result of the need for cooperatives to seek financing from sources other than the Federal government, the REA and the National Rural Electrification Association are concerned about improving the debt to equity ratios and margins of member cooperatives.

Within the past four years the REA has begun advocating that cooperatives determine their margin requirements based upon the return on investment approach to rate making. The REA has developed a formula for determining the rate of return on patron equity which includes consideration of the number of years in which patron equity will be rotated and an annual growth factor. The REA formula overcomes the major problem associated with developing a rate of return on patron equity when using the return on investment approach for rate making purposes. The REA further advocates that an overall weighted cost of capital can be determined by weighting the return on patron equity and the embedded cost of debt by an implied capital structure which generally has a more favorable debt to equity ratio than does the utility's actual capital structure.

When an implied capital structure is utilized rather than the cooperative's actual capital structure, the effect is to raise the cooperative's cost of capital, which in turn provides the utility with the opportunity to increase its margin requirements and thereby improve its capital structure.

Of the states reviewed, Colorado and Iowa are using a return on investment approach to rate making for cooperatives. The Colorado formula for determining the cost of capital is essentially the same as the REA formula with the exception that the Colorado formula provides for no growth factor in the calculation of the return on patron equity. The Iowa formula also employs an implied capital structure in determining the overall cost of capital as do the REA and Colorado formulas; however, the Iowa Commission allows a return on patron equity approximately equal to the rate of return being allowed on the common equity of investor-owned utilities as opposed to calculating it from an assumed equity turnover rate and an assumed growth rate.

Based upon REA recommendations and the current regulatory approaches of the Colorado and Iowa Commissions, the staff concluded that the return on investment approach to rate making is feasible and appropriate for both investor-owned and cooperative utilities.

In reviewing the regulatory approaches of other states, the staff determined that the majority of states reviewed do not have rate change filing requirements mandated by rule or order of the regulatory body. Nevertheless, for the majority of the states reviewed, standard filing requirements for rate changes have evolved informally for individual utilities as a result of the interaction of the regulatory body's staff, intervenors, and the utility in rate change hearings.

Of the states reviewed, Arizona, Georgia, and Michigan have standard filing requirements mandated by rule or order of their regulatory bodies. Of these states, Arizona has the most complete set of rate change filing requirements. These filing requirements are prescribed by the Arizona Corporation Commission's General Order U-53, which applies to all electric, gas, telephone, telegraph, water and private fire protection public service corporations under the jurisdiction of the Arizona Corporation Commission.

For that reason, the Arizona filing requirements made a significant contribution to the staff in assessing the minimum information necessary to investigate the reasonableness of a proposed change in rates.

Based upon a study of the Arizona filing requirements, the return on investment approach to rate making, and the regulatory approaches of other states, the staff recognizes that two broad classes of information are required in determining the reasonableness of a requested change in rates:

1. Information relating to the determination of gross revenue requirements; and
2. Rate Structure and design information.

In determining a utility's gross revenue requirements, the staff must have information available relating to earnings capacity and cost of capital. The staff in making a determination of the earnings capacity of the utility must assess the future earnings capacity of the utility as well as historical earnings capacity in order to provide the utility with an opportunity to earn the authorized rate of return. The major components of earnings capacity are rate base and operating income, and the major components of cost of capital are stockholder or patron equity earnings requirements and the embedded cost of debt and preferred stock.

The staff further concluded that a careful and complete analysis of a utility's requested change in rates cannot be made without considering the utility's rate structure. The staff must have the information available to make a determination that the proposed rates will generate the utility's revenue requirements and that the proposed rates for customer classes of service appropriately reflect the classes of such responsible for the growth in demand and the incremental cost of service.

In accordance with the foregoing conclusions the staff developed the information requirements to be included in a utility's notice of a change in rates as prescribed by PSC 402 - 405.

II.

DISCUSSION OF RULES AND RELEVANT FACTS PERTAINING TO EACH

PSC 400 - Definitions for Changes in Rates

The purpose of this definitional rule is to clarify terminology and to eliminate needless wording in subsequent rules. Its terms are expressly applicable to PSC 400-403 and 405-406.

PSC 400(a) received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC 400(b) defines the "average prime interest rate" and provides a method for determining such interest rate, based on 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 utility's proposed rates are suspended. This rule follows the statutory mandate of § 16(3) of the Act, which provides that the Commission shall require refunds of the excess in increased rates, "including interest thereon at the current rate of interest as determined by the Commission." This rule received both oral comment at hearing and subsequent written criticisms and suggestions from several interested parties.

It was suggested by Mr. Gene R. Sommers, representing Northern States Power Company, that PSC 400(b) be eliminated because there are several rates of interest, some available to consumers and some available to utilities, which could be considered to be a current rate. Because of the

many possible interest rates which could be employed as a current rate, it is Mr. Sommers' position that a determination of a current rate should not be part of this rule-making docket, but rather should be handled on a case-to-case basis or noticed for specific rule-making treatment. (Transcript pp. 89-90). The Commission finds that it is both necessary and appropriate to define an interest rate in this rule for the following reasons: (1) interest rates are a function of conditions in the money market and not of rate case issues; (2) a uniform method of determining the current rate of interest is desirable so that all customers receive a comparable rate of interest on refunds; (3) determination of a current interest rate on a case-by-case basis would place an unnecessary burden on the Commission's time.

Mr. Elmer B. Trousdale, appearing on behalf of Peoples Natural Gas Company, suggested that the rule should provide a specific rate of interest, subject to change by the Commission based on changes in relevant economic factors. The rationale of this suggestion is that a specified rate would provide greater certainty than the present rule and would be easier to administer both by the Commission and the utility. (Transcript pp. 71-73). By letter dated March 4, 1975, this position was reiterated. The Commission finds that proposed PSC 400(b) is preferable to the suggestions as stated immediately above because a specific rate in the rule would not accurately reflect current market changes. More significantly, in order to adjust a specific rate within the rule, a rule-change hearing would be required. It is the Commission's position that such a requirement is too time consuming in light of the flexibility written into the rule as presently proposed.

By letter dated March 3, 1975, Otter Tail Power Company suggested that the current interest rate should be determined periodically by the Commission and that the proposed rule unnecessarily complicates the refund procedure established by § 16(3) of the Act. In support of this suggestion it is maintained that such a periodically established rate would be equally effective as and more readily determined and administered than the proposed definition. The Commission finds that the proposed rule is preferable in that it effectively matches the interest rate with the time period in which the "excess" was collected. A periodic determination by the Commission would not accomplish this goal.

PSC 400(c) defines "capital structure" as the total capitalization of the utility as defined in § 49(2) of the Act, and specifically includes short-term securities within this definition. § 49(2) of the Act indicates that capital structure is the total capitalization of the public utility including, but not limited to, outstanding equities and long-term debt (emphasis added).

Mr. Gene R. Sommers, representing Northern States Power Company, expressed concern that by this definition the Commission was including short-term debt as part of the capital structure for purposes of rate of return testimony, and that witnesses testifying before the Commission as to rate of return should be free to propose the components of a capital structure which suit

their method of presentation. (Transcript pp. 90-92). The Commission finds that this concern is unfounded inasmuch as PSC 400 is, by its terms, expressly applicable to PSC 400-403 and 405-406. PSC 404 deals with the supporting exhibits and testimony of the utilities and is purposely excluded from the purview of PSC 400. Thus expert witnesses would not, by this rule, be obligated to include short-term debt in their testimony as to capital structure.

By letter dated March 3, 1975, Otter Tail Power Company objected to the inclusion of short-term securities in the definition of capital structure on the grounds that § 49(2) of the Act does not include such securities within the definition of capital structure. But as indicated, supra, p. 7, capital structure is not limited to longterm debt, but includes it. Based on this language of § 49(2) of the Act, the Commission finds that short-term securities are properly includable with PSC 400(c). Furthermore, to be in agreement with § 49(3) of the Act, requiring the Commission's approval of the capital structure of a utility prior to the issuance of any security by such utility, short-term securities should be a part of the capital structure definition.

PSC 400 (d), (e), (f) received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that these rules should stand as proposed.

PSC 400 (g) defines "jurisdictional" as meaning the utility's total Minnesota operations. By letter dated March 3, 1975, Mr. James A. Smith, representing North Central Public Service Company, suggested that the proposed rule be striken entirely and that the rule instead read:" "'Jurisdictional' means the utility's Minnesota utility operations for which the rate increase is requested."

The suggested substitute was offered as a clarification. The Commission finds, however, that the suggested substitution changes the meaning of the rule. For example, a utility which applies for an increase in one of two gas systems it operates in Minnesota and which also operates an electrical system should file total information for all three systems and then show allocations down to the gas system.

PSC 400 (h) relates to miscellaneous rate changes. Mr. Elmer B. Trousdale, representing Peoples Natural Gas Company, sought an additional sentence for this subparagraph to make it clear that rate changes made pursuant to the Automatic Adjustment of Charges rules, PSC 390-395, are exempt from this subparagraph, (Transcript pp. 73-74). The Commission agrees that a change along the line suggested by Peoples would make the rule clearer because rate changes which are the result of the application of an approved automatic clause are not rate changes for the purpose of applying § 16 of the Act. PSC 390-395 is merely the mechanism for exercising an already approved clause; it is a change in the approved clause for automatic adjustments which constitutes a rate change. The Commission has further refined Peoples' proposed amendment in an attempt to make the intent even clearer.

PSC 400 (i) defines a utility's most recent fiscal year. Written comment seeking to clarify this subparagraph was received from Northern States Power Company and Otter Tail Power Company. However, the Commission finds that the present wording of the rule clearly explains its impact and that the suggested clarifications do not effectively improve or clarify the rule as proposed. Thus, the Commission finds the rule should stand as proposed.

PSC 400 (j) defines the term "projected change" and is necessary to complement the second sentence in PSC 405 (b) (4). PSC 400 (j) received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC 400 (k), (l) and (m) received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC Rule 400 (n) as proposed reads: "Rate Base for the most recent fiscal year and the projected fiscal year shall be an original cost rate base."

By letter dated March 4, 1975, Mr. Elmer B. Trousdale, representing Peoples Natural Gas Company, recommended the following revision: "Rate base for the most recent fiscal year and the projected fiscal year shall include an original cost rate base component identified as such." Mr. Trousdale's rationale for this recommended change is that such a rule would be more consistent with § 16 (6) of the Act, which provides that in determining the rate base, the Commission shall give due consideration to original cost and " . . . any other factors or evidence material and relevant hereto."

The Commission's position on this issue has been stated in an opinion attached as an Appendix to the Commission's Order of October 31, 1975, in Matter of Northern States Power Company's Proposed Increased Rates for Electric Service in the State of Minnesota (ER 2-1). There, the Commission concluded that " . . . an original cost rate base is mandated by law and is preferable to fair value as a matter of policy." (p. A-3).

In any case, the statutory basis for the position taken by Peoples Natural Gas Company has subsequently been eliminated. The legislature deleted the wording " . . . any other factors or evidence material and relevant thereto" from § 16 (6) of the Act, and added a sentence which clearly adopts original cost as the mandated basis for a utility's rate base. Laws 1977, Chapter 359. The Commission finds that PSC 400 (n), as proposed, is consistent with the requirements of § 16 (6) of the Act, as amended.

PSC 400 (o) defines the term "short-term debt." This subparagraph received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission

finds that this rule should stand as proposed.

PSC 400 (p) defines "test year" as "the twelve-month period selected by the utility for the purpose of expressing its need for a change in rates." (Emphasis added). This proposed rule received both oral and written criticism based on the emphasized wording.

By way of comment at hearing (Transcript pp. 35-37) and of letter, dated March 2, 1975, Mr. Thomas J. Stearns, representing the City of St. Paul, argued for a revision of proposed PSC 400 (p) such that, no matter what year or years are selected, there would be a recitation of the elements involved in the test year needs, as such elements relate to a historical test year. More plainly stated, Mr. Stearns proposed that, at a minimum, a historical test year be required in the original filing. His rationale is that the utility company has such information available, that such information is more readily understood than is information on future test years, that if a future test year is employed the justification for the revenue increase is somewhat obfuscated, particularly for the concerned customer, and that this information is appropriately provided at the original filing so as to expedite the proceedings.

Mr. Timothy McKeown, representing the Minnesota Public Interest Research Group, also spoke to this matter at hearing. (Transcript pp. 133-134). It was his view that the rule should be revised so as to make selection of the test year a Commission prerogative to accept or reject such a selection, based on the general duties and authority of the Commission as outlined in § 8 of the Act. Second, a historical test year is not required on the original filing because the filing requirements are not intended to prejudice the utility's case. Rather, it is the Commission's belief that the utility should have the opportunity to present its position as to the justness and reasonability of the rates at hearing.

PSC 400 (q) provides alternative definitions of the term "total utility." When used to describe information requirements, the term means either: (1) The combined jurisdictional and, if any, non-jurisdictional gas or electric operations of a utility, or (2) The gas or electric operations of a utility's wholly-owned subsidiary operating within Minnesota.

By letter dated March 3, 1975, Minnesota Gas Company suggested that the following phrase be included at the end of both PSC 400 (q) (1) and (2): " . . . and excluding non-jurisdictional non-utility property." Minnegasco's rationale for inclusion of the suggested phrase is that Minnegasco, in addition to its natural gas distribution utility activities, is engaged in many jurisdictional activities and the rule should expressly exclude such activities for regulatory identification purposes.

The Commission finds that Minnegasco's recommended addition would be appropriate. Such non-jurisdictional activities as mentioned by Minnegasco are not meant to be included. For purposes of rate-change information requirements, information on such nonjurisdictional activities would not be required under the rule. The Commission finds that the rule as proposed does not adequately express the purpose behind the rule and that Minnegasco's proposed addition is appropriate.

However, the Commission has changed Minnegasco's proposed addition slightly to remove the word "non-jurisdictional". This deletion will underscore that all non-utility property is to be excluded no matter where it is located.

PSC 400 (r) and (s) received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that these rules should stand as proposed.

PSC 401 - Rate Change Procedures

The purpose of this rule is threefold: to provide the Commission and its staff with the information needed to meet their responsibilities within the time-table imposed by statute, to reduce regulatory lag and to assist the utility in supporting its need for the requested change in rates.

PSC 401 (a) provides for notice of a change in rates. By the first sentence of this rule as proposed, a utility filing for a rate change is required to serve notice to the Commission at least thirty days prior to the proposed effective date of the modified rates. This part of the rule follows § 16 (1) of the Act. However, § 16 (1) of the Act has subsequently been amended to require service of notice to the Commission at least ninety days prior to the proposed effective date of the modified rates. Laws 1977, Chapter 359. To be in accordance with the amended statute, the thirty day notice requirement of PSC 401 (a) is amended to a ninety day requirement. Further reference in these findings to PSC 401 (a) shall be understood to mean PSC 401 (a) as amended.

By comment at hearing, Ms. Carol Wagner, representing Itasca-Mantrap Co-op of Park Rapids, argued for an addition to this rule such that there would be a final date after which a utility could put the requested increase into effect without the possibility of thereafter having to refund any excess. (Transcript pp. 50-51). This argument was predicated on the fact that Itasca-Mantrap is a small cooperative whose customers are on a self-reading system, and that Itasca-Mantrap could not implement a rate change in one month and then be able to effect a refund, if required.

In response, the Commission again notes the ninety day amendment to this rule. Further, while recognizing that the refund mechanism imposed by § 16 (3) of the Act may cause some inconvenience to the utility, the Commission wishes to emphasize that the refund mechanism is a statutorily mandated framework designed to balance the interests of the utility and the consumer, and that any change in this framework would require statutory amendment. The utility does not have to put the proposed increase into effect subject to refund. It has the option of waiting until the Commission issues its order. Finally, the Commission notes that the final date which Itasca-Mantrap requests is already provided by statute in that any utility has the option of waiting for a final determination of the Commission before putting modified rates into effect. Minnesota Statutes § 16 (2) as amended by Laws 1977, Chapter 359.

By comment at hearing, Mr. Timothy McKeown, representing the Minnesota Public Interest Research Group requested that the notification time be amended from thirty to sixty days. (Transcript pp. 134-135). This change was requested to provide consumer groups with additional time to review proposed rate changes, raise funds, coalesce, and decide on a feasible strategy for possible intervention.

The amendment of the notification time to ninety days renders this request moot. However, the Commission finds that the main purposes of the notification time period are to enable the Commission to establish whether the proposed filing is complete in accordance with the requirement standards of these rules and to fulfill the statutory requirement of notice to counties and municipalities.

By comment at hearing (Transcript pp. 73-74), and by letter dated March 4, 1975, Mr. Elmer B. Trousdale, representing Peoples Natural Gas Company, requested that an addition be made to PSC 401 (a) stating that "miscellaneous rate changes as used herein shall not include changes in rates which the utility has effectuated in accordance with the provisions of PSC 390-395." This requested addition was designed to correspond with a similar requested addition to PSC 400 (h). The Commission has adopted People's suggested change to PSC 400 (h) but does not agree that it would be appropriate to reiterate it. PSC 401 (a)'s purpose is to enumerate the documentation which must be supplied for miscellaneous filings. It would be inappropriate to define the term in the same section.

As the Commission noted there, rate changes made as the result of application of an approved automatic clause are not rate changes for purposes of applying § 16 of the Act nor for purposes of this rule and thus are not subject to the ninety day notice requirement. It is a change in the approved clause which constitutes a rate change for the purposes mentioned in the preceding sentence. Thus any change in the approved clause, or application of a utility to establish such a clause is subject to the ninety day notice requirement. The Commission also finds that the monthly monitoring of the cost of fuel, under PSC Rules 390-395, is not subject to the ninety day notice requirement herein.

Based on the need for regulation of changes in rates, on the rule-making authority conferred upon it by § 8 of the Act and on the legislative amendment to § 16 (1) of the Act effected in Laws 1977, Chapter 359, the Commission finds that the introductory sentence of rule 401 (a) should stand as amended.

The initial sentence of PSC 401 (a) provides, as previously mentioned, a ninety day notice requirement. The contents of such notice are prescribed by PSC 401 (a) (1) (aa)-(ee) for general rate changes, and by PSC 401 (a) (2)-(dd) for miscellaneous rate changes. These rules, and the items required thereby, received substantially no comments or objections by the participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that these rules should stand as proposed.

PSC 401 (b) provides and describes methods and procedures for refunding any increase in rates, or part thereof, determined by the Commission to be unreasonable. The statutory authority for this rule is found in § 16 (3) of the Act. PSC 401 (b) (1) provides that a utility shall be permitted to place suspended rates into effect, subject to refund, provided that payment of refunds is insured under one or two methods: either by filing a bond with the Commission in the amount and with sureties approved by the Commission or by filing with the Commission an unqualified agreement to refund any portion of the increase in rates determined to be unreasonable, together with interest thereon. PSC 401 (b) (1) received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 and § 16 (3) of the Act, the Commission finds that this rule should stand as proposed.

PSC 401 (b) (2) states that any increase in rates or part thereof which is determined to be unreasonable shall be either refunded or credited to customers' accounts within ninety days from the effective date of the Commission order, with such refund or credit bearing interest at the average prime interest rate (as defined in PSC 400 (b)). This rule received written comment from several interested parties.

By letter, dated March 3, 1975, Minnesota Gas Company proposed that this rule be revised to read:

> Any increase in rates or part thereof determined by the Commission to be unreasonable shall be refunded to customers by the reduction of the billing rate over a 12-month period including interest on the unrefunded balance at the average prime interest rate or credited to customers' accounts within ninety days from the effective date of the Commission order and determined in a manner prescribed by the Commission including interest at the average prime interest rate computed from the effective date of the proposed rates through the date or refund or credit.

Minnesota Gas Company's proposed revision would provide the utility with the option of refunding by a credit to customers' bills over a twelve month period, but with additional interest on the unrefunded balance. The argument for this revision is that refunding on the basis of past usage is an expensive and unsatisfactory method of returning money to the customer, and that a temporary credit in the billing for gas varies widely with the heating cycle.

The Commission finds that this suggested revision is unacceptable in light of the intentions behind the rule as proposed. The rule, with its ninety day provision, is intended to effect a prompt refund of any unreasonable amounts collected by the utility; a twelve month period is too lengthy to effect a prompt refund. The rule is also intended to return the overcharge to those customers who actually paid into the excess. Within a twelve month period, substantially more customers are likely to move off a utility's system than within a ninety day period. Thus the ninety day requirement is to be preferred to accomplish this intention.

By letter dated March 3, 1975, North Central Public Service Company sought to revise this rule so as to eliminate the ninety day provision and provide for refunding in a manner prescribed by the Commission. North Central's rationale is that elimination of the ninety day provision

would provide the Commission with flexibility to meet each particular situation, and that, in any case, interest is accumulating.

For reasons of certainty, the Commission finds that a specified time limit in the rule is in the best interests of all parties. By having such a limit the utility will know in advance what responsibility it is assuming in the event of a refund, and the customer will know in advance that, should any increase or part thereof be determined unreasonable, he shall receive promptly a refund or credit.

By letter dated March 4, 1975, from Mr. Gene R. Sommers, representing Northern States Power Company, it was suggested that the phrase "at the average prime interest rate" be omitted from this rule. This suggestion was in accordance with Mr. Sommers' comments at hearing relating to PSC 400 (b). (Transcript pp. 85 -90). The Commission's response to the suggested omission is in accordance with its response to Northern States Power Company's suggestions regarding PSC 400 (b) supra, p. 6. Particularly to be emphasized is the need for uniformity as to the interest requirements. The Commission finds that this need justifies the use of the average prime interest rate as a method for establishing a current rate.

By letter dated March 4, 1975, Mr. Elmer B. Trousdale, representing Peoples Natural Gas Company, sought a provision for a specific interest rate, subject to change by the Commission. Such a provision would correspond with Mr. Trousdale's suggestion regarding PSC 400 (b). (Transcript p. 71-73; letter, March 4, 1975). The Commission's response to the suggestion for a specific interest rate is to be found in the discussion of PSC 400 (b), supra. p. 6, and is incorporated herein by reference. Based on the general need for regulation of refunding and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC 401 (c) provides and describes procedures to be followed subsequent to notice being served to the Commission regarding proposed rate changes. PSC 401 (c) (1) as proposed states that a materially incomplete notice or amended notice is invalid, and a statement regarding the deficiencies shall be sent by the Commission to the utility within ten days of receipt of the notice, to afford the utility an opportunity to serve an amended notice. The rule further states that if the Commission does not send the utility a deficiency statement within ten days, the notice or amended notice shall be deemed complete.

By comment at hearing (Transcript pp. 37-38) and by letter dated March 2, 1975, Mr. Thomas J. Stearns, representing the City of Saint Paul, requested that this rule be changed so as to provide an opportunity to municipalities to submit comments, during the stated time period, as to the sufficiency of a utility's notice. This is justified by the argument that the Commission should take advantage of any information regarding sufficiency made by parties in the service area, such information being possibly unavailable to the Commission.

It is the Commission's position that a preliminary determination of sufficiency of notice is a Commission responsibility and that there is, at this early stage, no need for comment from affected municipalities. A determination of sufficiency merely indicates satisfactory compliance with the requirements of PSC 401 (a) and does not weigh the substantive merits of the information provided. Municipalities are afforded an opportunity to complain about a proposed rate change, by § 16 (2) of the Act, after written notice, approved by the Commission, is supplied to the municipalities by the filing utility.

By letter dated March 4, 1975, Northern States Power Company (NSP) sought to amend PSC 401 (c) (1) so that compliance with § 16 (1) of the Act would constitute complete notice. NSP argues that to the extent that PSC 401 (c) would allow the Commission to reject a filing for failure to provide all of the information required under PSC 405, it goes beyond the letter of the Act and is unlawful. By § 16 (3) of the Act, the Legislature provided, to ameliorate regulatory lag, that a utility may put its proposed rates into effect under bond on the date when such rates would have become effective if not suspended. NSP argues that the statute does not contemplate any delays in implementation of proposed rates as long as the requirements of § 16 (1) of the Act are met, and that this rule might be used for delay.

The Commission disagrees with NSP's contention that PSC 401 (c) (1) is an unlawful rule. § 1 of the Act states "It is hereby declared to be in the public interest that public utilities be regulated as hereinafter provided. . . ." § 8 of the Act authorizes the Commission to make rules in furtherance of the purposes of the Act. It is the Commission's position that only by a complete notice of a change in rates can the Commission make its ultimate conclusions, as required by the Act, regarding justness and reasonableness of rates. Only through the power to reject an incomplete filing is the Commission able to insure that it has sufficient information to carry out its statutory obligation. In this context PSC 401 (c) (1) is not unlawful but necessary to serve the vary purpose of the Act.

However, the Commission does not believe that the 10 day period provided for in the proposed rule is sufficient. Since any change in the period might be viewed as a substantive change, the Commission has decided that it would be preferable to withdraw this paragraph and hereby does so.

PSC 401 (c) (2) [renumbered PSC 401 (c)(1)] was drafted to conform with § 16 of the Act. This rule provides that any amended notice shall be served at least thirty days prior to the proposed effective date of modified rates. The Minnesota Public Interest Research Group sought an amendment from thirty to sixty days. However, § 16 of the Act has subsequently been amended to provide a ninety day notice period. For this rule to remain in conformity with § 16, the thirty day period must be amended to ninety days, and the Commission finds that, as amended, this rule should stand.

PSC 401 (c) (3) [renumbered PSC 401 (c) (2)] states: "If a notice or an amended notice is complete in all material respects as prescribed by PSC 400-405, the Commission shall follow

the procedures outlined in the Rules of Practice PSC 500-517."

By letter dated March 4, 1975, Northern States Power Company (NSP) suggested an amendment which would read: "If a notice or amended notice is complete, the Commission shall follow the procedures outlined in the Rules of Practice PSC 500-517." NSP's rationale for this suggestion is that forwarded in its comments to PSC 401 (c) (1), and is incorporated herein by reference. Supra. p. 16. The Commission's rationale for rejecting NSP's suggestion is that offered against NSP's comments to proposed PSC 401 (c) (1) (withdrawn) and is also incorporated herein by reference. Supra ; 14. For the reasons stated therein, the Commission finds that this rule is necessary and appropriate and should stand as proposed.

PSC 401 (c) (4) and (5) [renumbered PSC 401 (c)(3) and (4)] received substantially no comments or objections by any participants. Based on the need for regulation of changes in rates and on the rule-making authority conferred on it by § 8 of the Act, the Commission finds that these rules should stand as proposed.

PSC 401 (c) (6) was designed to limit the admissibility of evidence, offered by a utility in a hearing on proposed rates, when such evidence contridicts or materially alters information included in the notice. When such is the case, this evidence is to be received only upon a showing of good cause.

In the name of uniformity, several parties objected to this proposed rule. Minnesota Power and Light Company, Northern States Power Company, and Otter Tail Power Company all argued that matters concerning evidence should be covered by PSC 500-517, Rules of Practice and Procedure, and that such rules should apply to all utilities, not just electric and gas. All argued for omission of this proposed rule.

The Commission finds that this rule should be omitted from these proposed rules for the reason that Rule HE 217 of the Office of Hearings Examiner supercedes proposed PSC 401 (c) (6).

PSC 402 - Proposed for Change in Rates

PSC 402 concerns a utility's proposal for a change in rates. Its purpose is to provide, by means of the proposal, a summary of the utility's notice to the Commission so that information is readily available to prepare a notice of change in rates for affected municipalities and counties, which notice is required to be supplied by the filing utility, subject to approval by the Commission. § 16 (1) of the Act, as amended by Laws 1977, Chapter 359. PSC 402 states that the proposal for change in rates shall summarize the notice of change in rates and shall include the information described in each of the five subparagraphs of the rule.

PSC 402 (a) requires inclusion of the name, address and telephone number of the utility and the utility's attorney, if there be one. The need for this basic information is apparent, and this subparagraph received no comments or objections by any participants. The Commission finds that these rules should stand as proposed.

PSC 402 (b) requires inclusion of the date of filing and the date on which modified rates are to become effective. PSC 402 (c) requires a description and a statement as to the purpose of the requested rate change. The need for this information is, as in PSC 402 (a), apparent for fulfillment of the requirements of § 16 (1) of the Act, as amended by Laws 1977, Chapter 359. These subparagraphs also received no comments or objections by the participants. The Commission finds that these rules should stand as proposed.

PSC 402 (d) requires information as to the effect of the change in rates "expressed in gross revenue dollars and as a percentage of test year gross revenue if appropriate."

By letter dated March 3, 1975, Mr. James A. Smith, representing North Central Public Service Company, sought, for clarification, either the elimination of the words "if appropriate" or a specification of the conditions which would determine appropriateness. The Commission agrees that "if appropriate" leaves room for uncertainty. The Commission believes that the effect of the change in rates expressed as a percentage of test year gross revenue is always appropriate, and that therefore the phrase "if appropriate" should be striken from this rule.

The City of St. Paul, by Mr. Thomas J. Stearns, proposed in a letter dated March 2, 1975, that PSC 402 (d) be changed to read:

> Effect of the change in rates expressed in gross revenue dollars and as a percentage of the test years' gross revenue including both the actual revenue and the adjusted revenue of the historical test year.

The same proposal, with minor differences, was presented by Mr. Stearns at hearing. (Transcript p. 38.)

St. Paul's proposal as to PSC 402 (d) relates to its proposal regarding the definition of "test year," PSC 400 (p). See supra. p. 9. Briefly restated, St. Paul would require utilities to include, at a minimum, a historical test year in their filing. This requirement is justified by the argument that the consumer, who is normally unaware of the computations which go into a test year is entitled to an explanation from a utility, which possess all the information, of the justification for any proposed revenue change expressed as a percentage change over a historical and an adjusted historical year. St. Paul's emphasis is on complete disclosure by the utility in the initial filing.

The Commission rejects St. Paul's proposed change for the reasons stated in response to the comments on PSC 400 (p). See supra, p. 9. A historical test year is not required on the original filing because the filing requirements are not intended to prejudice a utility's case; a utility should have the opportunity to present its position as to the justness and responsibility of the rates at hearing. Further, the Commission notes that the adjusted revenue of the historical test period is not comparable to the gross revenue of the test year. For these reasons, the Commission finds that PSC 402 (d) should stand as proposed.

PSC 402 (e) requires the signature and title of the utility's officer who authorized the proposal.

Again, this is a basic informational requirement, to which no objections or comments by any participatns were received. The need for such information is evident for fulfillment of the requirements of § 16 (1) of the Act, as amended by Laws 1977, Chapter 359. The Commission finds that this rule should stand as proposed.

PSC 403 - Modified Rates

PSC 403 is a brief, two-part rule designed to provide adequate and proper updating of the utility's rate book previously filed with the Commission. Such a rule is justified by the general rule-making authority conferred upon the Commission by § 8 of the Act.

> PSC 403 (a) provides: All proposed changes in rates shall be shown by filing new pages to the rate book previously filed with the Commission and by identifying those pages which were not changed.

Objection was raised as to the use of the word "new" in the rule. By letter dated March 3, 1975, North Central Public Service Company suggested the insertion of the words "revised or" between "filing" and "new", for purposes of clarification. At hearing (Transcript pp. 77-78) and by written comment in a letter dated March 4, 1975, Mr. Elmer B. Trousdale, representing Peoples Natural Gas Company, suggested that the term "new" be replaced by "revised," because "new" normally connotes something other than "revised," which is what Mr. Trousdale believes is actually intended in the rule. Otter Tail Power Company, in a letter from Mr. Jay D. Myster, dated March 3, 1975, suggested a rule using the words "substitute or revised" rather than "new."

Obviously there is a distinction between "new" and "revised." For the purpose of clarification the Commission finds that this distinction should be identified in the rule, and thus adopts the proposal of North Central Public Service Company to insert "revised or" between "filing" and "new," in PSC 403 (a).

Peoples Natural Gas Company, both at hearing and by written comment, suggested that the requirement of identifying those pages which were not changed to be eliminated as self-evident. While appreciating this argument, the Commission believes that there is a justification for this part of the rule. As Mr. William Deppe, Supervisor of the Public Utilities Division, Financial Evaluation Section, stated at hearing, this requirement is a method to assure that the rate book is complete. (Transcript pp. 78). The Commission believes that an affirmative statement indicating unrevised pages is preferable to the drawing of an inference of non-revision as to all pages omitted from a filing of new or revised pages. Furthermore, the identification of unrevised pages is not a heavy burden on the utility in terms of time or expense. For these reasons, and based on the authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC 403 (b) requires consistency of information and format between the new or

revised page and the page to be replaced. This rule is a sensible requirement for uniformity and received no comment or objection from any participants. Based on the authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC 404 - Expert Opinions and Supporting Exhibits

PSC 404 describes the expert opinions and supporting exhibits required by PSC 401 (a) (1) (cc), to be included in the notice of change in rates.

The purpose of this rule is to indicate the minimum justification which the Commission deems necessary to support a proposed rate change.

PSC 404 (a) states:

> Expert opinions and supporting exhibits shall include written statements, in question and answer format, together with supporting exhibits of utility personnel and other expert witnesses as deemed appropriate by the utility in support of the proposal.

By comment at hearing, Mr. D. H. Buswell, representing Interstate Power Company, sought elimination of this rule. (Transcript pp. 56-58). Mr. Buswell's rationale is that there might be filings in which expert testimony may not be required, but which in fact may not be known at the time notice is filed with the Commission. Experts, particularly rate-of-return experts, require lengthly preparation and substantial costs, and if a utility were not required to have expert opinions in the notice, the utility might be able to avoid the hiring of witnesses. Interstate Power Company is not suggesting that the Commission should not have such opinions altogether, but rather objects to such a requirement in the original notice.

The Commission cannot agree with Interstate's position. Expert opinion and supporting exhibits are basic parts of the informational support needed by the Commission to evaluate the utility's justification for a proposed rate change. It is only reasonable to require that the utility supply sufficient information, in the form of opinions and exhibits, to support the filing in the first instance. The Commission realizes that the quantum of information necessary to support the filing is established by the Commission, within limits of statute and reasonability, as an exercise of its rule-making authority conferred by § 8 of the Act. It is the Commission's opinion that an absence of opinions and exhibits reflects an unsupportable filing. Finally, § 16 (1) of the Act specifically calls for inclusion of "expert opinions, substantiating documents and exhibits, supporting the change requested" in the notice. For the reasons stated, the Commission finds that this rule should stand as proposed.

PSC 404 (b) states that, at a minimum, expert opinion shall include a statement by the chief executive officer or other designated official in support of the proposal. PSC 404 (c) states that supporting exhibits may be the same as those prescribed by PSC 405, or may make reference where appropriate to the information requirements prescribed by PSC 405. Both explain the minimum requirements imposed by § 16 (1) of the Act. As such, and in light of the fact that

the Commission received no comment or objection by any participants, the Commission finds that these rules should stand as proposed .

PSC 405 - Information Requests

§ 16 (1) of the Act requires that "statements of facts, expert opinions, substantiating documents, and exhibits, supporting the change requested," be included in the notice to the Commission. PSC 404, discussed above, defines the requirements as to expert opinions and supporting exhibits; PSC 405 defines the information required in the statements of fact and substantiating documents. The Commission believes that these requirements reflect the minimum information necessary to assess the reasonableness of a requested change in rates.

The introductory paragraph of PSC 405 reads as follows:

> The following information shall be supplied as a part of the utility's notice of a change in rates. Information requirements (a), (b) (1), (c) (1), (d) (1), (e) (1) and (e) (2) as defined herein shall be supplied by all gas and electric utilities and all other information requirements prescribed by PSC 405 shall be supplied where applicable to the utility. Illustrative forms for filing this information shall be available from the Minnesota Department of Public Service.

By written comment of March 3, 1975, Mr. Jay D. Myster, representing Otter Tail Power Company suggested a re-phrasing of this introduction to eliminate the "illusion of alternatives or short cuts." It is Mr. Myster's opinion that the paragraph as proposed gives an illusion that all of the schedules recited therein may not be required, while in reality it is apparent that all of the schedules will be applicable for a filing.

It is the Commission's position that there is no doubt, from the rule as proposed, as to the information required for any filing. The illusion of short-cuts would appear only if the balance of PSC 405 were not considered. Because the introductory paragraph, when read in light of the subsequent provision of PSC 405, leaves no doubt as to the information required, the Commission finds that this rule should stand as proposed.

PSC 405 (a) states that a jurisdictional financial summary schedule shall be filed showing:

> (1) The proposed rate base, operating income, overall rate of return, and the calculation of income requirements, income deficiency, and revenue requirements for the test year.

PSC 405 (a), (b)(1), (c)(2), (d)(1), (e)(1) and (e)(2) define the basic requirements as to information needed to assess a utility's proposed rate change. The information described in the balance of PSC 405 is required if applicable to the filing utility's situation.

By comment at hearing (Transcript 38-39) and by letter, dated March 2, 1975, Mr. Thomas J. Stearns, representing the City of St. Paul, suggested that PSC 405 (a)(1) be changed to read as follows: The Company's proposed rate base, including an original cost historical test year rate base taken as an average and at year-end, operating incomes for the years involved, an overall

rate of return for the original cost historical test year and other test years and the calculation of income requirements, income deficiency, and revenue requirements for the test years presented by the Company.

This rephrasing, as with those suggested by St. Paul for PSC 400 (p) and 402 (d) is designed to expand the concept of "test year" to include a historical test year with calculations based on original cost. Again, St. Paul's position is that this data should be required of the utility at the time of filing.

The Commission findings rejecting St. Paul's position have been stated previously. Supra, pp. 9 . For those same reasons the Commission finds that this suggested rephrasing must be rejected and that the rule should stand as proposed.

PSC 405 (a)(2) requires inclusion of financial data pertaining to the most recent fiscal year in the jurisdictional financial summary schedule. PSC 405 (a)(3) requires comparable data pertaining to the projected fiscal year.

At hearing Mr. D. H. Buswell, representing Interstate Power Company, took exception to those requirements, but offered no alternative. Mr. Buswell's argument is that the filing requirements refer to information for three periods: a test year, most recent fiscal year, projected fiscal year. The definition of "test year", however, allows a utility to adopt either the most recent or the proposed fiscal year as the test year, so that there may be a minimum of two years of information required for a filing. Because Interstate Power Company is an interstate utility it is always necessary to make an allocation to arrive at the required jurisdictional information. Mr. Buswell argued that such allocation studies are costly and time consuming, and to be required to prepare such studies for two or three years appears more than what is necessary for the Commission to be able to determine the reasonableness of a proposed rate change.

The Commission finds that these proposed rules are valid requirements for the following reason. Most recent fiscal year information is necessary to enable the Commission and its staff to assess the historical earnings capacity of the utility. Projected fiscal year information is necessary to enable the Commission and staff to assess the future earnings capacity of the utility. If the test year be other then the most recent or the projected fiscal year, information as to such test year is also necessary because it is upon such year's information that a utility is required, by PSC 400 (p), to justify its need for a rate change. The Commission recognizes that the compilation of such information may be time consuming, but such information is necessary for the Commission to satisfy its statutorily mandated obligation to determine the justness and reasonableness of a proposed rate change. §§ 216B.03; 216B.16(2). In addition, the Commission emphasizes that the burden of proof to show the justness and reasonableness of a proposed rate change is upon the utility. § 216B.16 (4). Upon these considerations, the Commission finds that these rules should stand as proposed. PSC 405 (b)(1) requires provision of a rate base summary schedule. It reads:

> "A rate base summary schedule by major rate base component (e.g. plant in service, construction work in progress, and plant held for future use) showing the proposed rate base, the unadjusted average rate base for the most recent fiscal year and unadjusted average rate base of the projected fiscal year. The totals for this schedule shall agree with the rate base amounts included in the financial summary.

By comment at hearing (Transcript pp. 39), and by letter dated March 2, 1975, Mr. Thomas J. Stearns, representing the City of St. Paul, continued St. Paul's argument for requiring adjusted test year information at the initial filing. St. Paul's suggested revision reads:

> A rate base summary schedule by major rate base components (e. g. plant in service, construction work in progress and plant held for future use) showing the proposed rate base, the adjusted average rate base for the most recent fiscal year, the unadjusted average rate base for the most recent fiscal year, the year-end adjusted rate base for the projected fiscal year and the unadjusted average rate base for the projected fiscal year. Insofar as the unadjusted totals for the schedule are concerned, they shall agree with the rate base amounts included in the financial summary.

The Commission is of the belief that the additional comparisons suggested by St. Paul will add little to a filing for rate change other than an unwarranted burden on the filing utility —unwarranted because the year end historical cost figures are already available through the utility's year end reporting procedures and through the Department of Public Service's proposed requirement for utility annual report filings, PSC 410-418. The rate base year end figures are the supporting data for the average numbers to be supplied with a filing. For these reasons, the Commission rejects St. Paul's suggested revision and finds that PSC 405 (b)(1) should stand as proposed.

PSC 405 (b)(2) requires, where applicable, a comparison of total utility (as defined in PSC 400 (q)) rate base amounts and Minnesota jurisdictional (as defined in PSC 400 (q)) rate base amounts and Minnesota jurisdictional (as defined in PSC 400 (g)) rate base amounts. It reads:

> A comparison of total utility and Minnesota jurisdictional rate base amounts by detailed rate base component showing:
>
> (aa) Total utility and the proposed jurisdictional rate base amounts for the test year including the adjustments, if any, used in determining the proposed rate base.
>
> (bb) The unadjusted average total utility and jurisdictional rate base amounts for the most recent fiscal year and the projected fiscal year.

By letter dated March 3, 1975, Mr. Jay D. Myster, representing Otter Tail Power Company, suggested that, in the opinion of Otter Tail, the informational requirements of PSC 405 (b)(1) and (2) appear to be essentially equivalent, with perhaps more detail required by subparagraph (2), and that therefore the Minnesota jurisdictional requirement of subparagraph (2) should be stated in subparagraph (1) with the resulting elimination of subparagraph (2).

The Commission appreciates the fact that there may be some overlap between PSC 405 (b)(1) and (2), but is of the opinion that showing the Minnesota jurisdictional requirement separately will make it more understandable and certain, thus removing doubt as to this part of the filing requirement. The Commission finds such purpose to be sufficient justification for retaining the

subparagraphs separately.

Minnesota Power and Light Company by Mr. James Habicht, objected to PSC 405 (b)(2) at hearing (Transcript p. 129), on grounds similar to those of Mr. Buswell of Interstate Power Company in respect to PSC 405 (a)(2) and (3). That is to say Mr. Habicht questions the need for separation studies for all three time periods: test, most recent fiscal, and projected fiscal years.

The Commission finds that the requirements of PSC 405 (b)(2)(aa) and (bb) are necessary for it to fulfill its statutory obligations. It is essential that the information on the total company be supplied in order to test the reasonableness of any allocations pertaining to expenses and revenues that are chargeable to jurisdictional subscribers.

Peoples Natural Gas Company, by Mr. Elmer B. Trousdale, expressed concern with the geographical and jurisdictional scope of PSC 405 (b)(2). (See Transcript pp. 79-80, and letter dated March 4, 1975). Specifically, Mr. Trousdale is concerned that this rule would require a utility to report statistical information regarding non-Minnesota gas operations for the sole purpose of enabling the Commission to test the validity and reasonableness of allocation facts used by the utility in apportioning statistical data to Minnesota. Peoples Natural Gas Company believes that the Commission is without authority to require such information based on § 216B.13, which provides in subdivision (1) that the Commission may require the utility to produce "books, accounts, papers or records . . . relating to its business or affairs within the state." Peoples Natural Gas Company further maintains that § 216B.12 and § 216B.08 must be read with § 216B.13 and that both the former sections are similarly limited in scope. Moreover, the Commission can check the information required by this rule by conducting audits, as provided in § 216B.10 (5). It is therefore unnecessary to supply the data called for in PSC 405 (b)(2), and it is burdensome to be so obligated in each rate case.

The Commission meets these objections by citing § 216B.16 (4) which states: "The burden of proof to show that the rate change is just and reasonable shall be upon the public utility seeking the change." Commission determinations as to reasonableness are principally based on the data, provided by the utility, necessary to evaluate the utility's jurisdictional activities. The assertion of Peoples Natural Gas Company that the Commission should glean the necessary jurisdictional information exclusively from an examination, conducted on the utility's premises, of the utility's books and records is placing the burden of proof on the Commission and is unsupportable in light of § 216B.16 (4) and § 216B.16 (1), which obligate the utility to provide the support for a rate change in the notice.

Interstate Power Company, by Mr. D. H. Buswell, also objected to this rule on the grounds that it goes beyond the Commission's jurisdiction to require rate base data for any non-jurisdictional service area. (Transcript pp. 61-62).

The Commission concludes that this rule is within its jurisdiction, and can be justified by statute and logic. § 216B.03 provides that every rate made, demanded or received by any public utility shall be just and reasonable. § 216B.16 (4) as previously noted, places the burden of proof as to this issue on the utility requesting a rate change. § 216B.16 (1) obligates the filing utility to provide information supporting the change requested. In light of these statutory provisions it is apparent that the information required by PSC 405 (b)(2) is necessary for the Commission properly to reach a determination on the issue of reasonableness. As to interstate utilities, a valid assessment of a utility's allocation of revenue and expenses to the Minnesota jurisdictional properties can only be made by a comparison with information describing the total utility. Without such a comparison, the jurisdictional information has substantially no value for a determination of reasonableness.

Having given due consideration to the comments and suggestions of interested parties, as described above, the Commission finds that PSC 405 (b)(2) should stand as proposed. In the Commission's opinion, based on the provisions of the Act, the information required by this rule is essential and within the Commission's power to demand.

PSC 405 (b)(3) requires, where applicable, the following:

> Adjustment schedules, if any, showing the title, purpose and description and the summary calculations of each adjustment used in determining the proposed jurisdictional rate base.

This subparagraph received no comment or criticism from any interested party. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act, the Commission finds that this rule should stand as proposed.

PSC 405 (b)(4) requires, where applicable, the following:

> A summary by rate base component of the assumptions made and the approaches used in determining average unadjusted rate base for the projected fiscal year. Such assumptions and approaches shall be identified and quantified into two categories: known changes from the most recent fiscal year and projected changes.

Northern States Power Company ("NSP"), in a letter dated March 4, 1975, objected to alleged ambiguities in this rule, and proposed elimination of the last sentence of the rule, or, in the alternative, inclusion of a sentence at the end of the rule defining "known changes" and "projected changes."

The Commission recognizes the ambiguity to which NSP refers, and has sought to eliminate the problem by adding PSC 400 (gg) and (j) which define "known changes from the most recent fiscal year" and "projected changes." Supra, p. 8 . With the addition of these definitions, the Commission finds that PSC 405 (b)(4) is clear and understandable, with no amendments necessary. The Commission notes that in regard to financial and record-keeping practices and methods of projecting, a formalized budget, when properly supported with rational assumptions, is acceptable for identifying known and projected changes.

PSC 405 (b)(5) requires where applicable, the following information:

For multi-jurisdictional utilities only, a summary by rate base component of the jurisdictional allocation factors used in allocating the total utility rate base amounts to the Minnesota jurisdiction. This summary shall be supported by a schedule showing for each allocation factor the total utility and jurisdictional statistics used in determining the proposed rate base and the Minnesota jurisdictional rate base for the most recent fiscal year and the projected fiscal year.

This rule received no comment or criticism by any party. It is justified by the same arguments forwarded by the Commission in response to Interstate Power Company's objection to PSC 405 (b)(2). Supra, pp. 23 . Those arguments are incorporated herein by reference, and upon such the Commission finds that this rule should stand as proposed.

The information described in PSC 405 (c)(1) is, by the introductory paragraph of PSC 405, required of all gas and electric utilities filing for a rate change.

This rule reads as follows:

PSC 405(c) Operating income schedules

(1) A summary schedule of jurisdictional operating income statements which reflect proposed test year operating income, and unadjusted jurisdictional operating income for the most recent fiscal year and the projected fiscal year calculated using present rates.

This rule received no comment or criticism by any party. It is clearly necessary to enable the Commission to make a determination of reasonableness. For this reason the Commission finds that this rule should stand as proposed.

PSC 405 (c)(2) is applicable to interstate utilities. The rule by its terms requires the following information:

For multi-jurisdictional utilities only, a schedule showing the comparison of the total company and unadjusted jurisdictional operating income statement for the test year, for the most recent fiscal year and the projected fiscal year. In addition, the schedule shall provide the proposed adjustments, if any, to jurisdictional operating income for the test year together with the proposed operating income statement.

Comment on this rule was made by Mr. Elmer B. Trousdale, representing Peoples Natural Gas Company. (Transcript p. 79-83 and letter dated March 4, 1975). Mr. Trousdale objected to the terminology "total company" in this rule, contending that this should read "total utility" as defined in PSC 400 (q). His argument is premised on the theory that inasmuch as the Commisison's jurisdiction relates to regulation of jurisdictional utility matters, a requirement for operating income information which includes, by the term "total company," non-jurisdictional, non-utility activities of a filing utility is beyond the Commission's scope of power. Furthermore, Mr. Trousdale's comments by letter are premised on the assumption that "total company" is to be changed to "total utility." This assumption derives from the comments at hearing of Mr. William Deppe, Director of the Financial Evaluation Section of the Public Utilities Division, that "total company" was intended to be "total utility." (Transcript p. 83).

The Commission agrees that the word "company" was used inadvertently and that the word "utility" should be used instead.

Additional comments regarding this rule by Mr. Trousdale, are essentially identical to those made by him regarding PSC 405 (b)(2), and, for brevity, shall not be repeated. Supra, p. 22. The Commission conclusion on PSC 405 (e)(2) is that made in response to Mr. Trousdale on PSC 405 (b)(2) and also shall not be repeated. Supra, p.22. Both Peoples Natural Gas Company's comments and the Commission's reponse, as mentioned, are incorporated herein by reference, and the Commission adopts its response for purposes of this rule. Based thereupon the Commission finds that this rule should stand as proposed.

PSC 405 (c)(3) requires tax information of investor - owned utilities. PSC 405 (c)(4) requires adjusted operating income information whenever such adjustments are made. These rules received no comment or criticism from any party. Based on the need for regulation of changes in rates and on the rule-making authority conferred upon it by § 8 of the Act the Commission finds that these rules should stand as proposed.

PSC 405 (c)(5), applicable to operating income, is similar to PSC 405 (b)(4), which concerns rate base. By letter dated March 4, 1975, Northern States Power Company (NSP) submitted comments, applicable to both PSC 405 (b)(4) and the present rule, and are incorporated herein by reference. Supra, p.23. The Commission adopts its response to NSP's comments on PSC 405 (b)(4) for purposes of the present rule. Supra, p.23. As noted there, the inclusion of PSC 400 (j), defining "projected changes", should eliminate problems of ambiguity in the present rule. The Commission finds that this rule should stand as proposed.

PSC 405 (c)(6), pertaining to multi-jurisdictional utilities, requires information on the factors used in allocating total utility operating income to Minnesota jurisdiction. As the Commission has indicated elsewhere in these findings, an examination of allocations is necessary for the proper determination as to reasonableness of a rate change. See the Commission's response to comments by People's Natural Gas Company regarding PSC 405 (b)(2), supra, p.22.

PSC 405 (d) requires information on rate of return and cost of capital. PSC 405 (d)(1) concerns the calculation of the weighted cost of capital, which concept is defined in PSC 400 (s). PSC 405 (d)(2) concerns calculation of the embedded cost of long-term debt and of preferred stock, with "embedded cost" being defined in PSC 400 (d). Neither of these two rules received any comment or criticism from any participant. Both are justified by the need for regulation of rate changes and by the rule-making authority conferred upon the Commission by § 8 of the Act. The Commission finds that these rules should stand as proposed.

Northern States Power Company (NSP) suggested that a new subparagraph (3) be added to PSC 405 (d), to read as follows:

"Schedules showing average short-term securities for the proposed test year, most recent fiscal year and the projected fiscal year."

NSP's argument in support of this addition corresponds with its argument on PSC 400 (c). Supra, p. 6.

The Commission agrees that the addition is appropriate, but does not thereby agree that short-term securities should be eliminated from PSC 400 (c), for the reasons which the Commission noted in its discussion on that rule. Supra, p. 7 . By adding a subparagraph (3), the Commission will be provided with valuable information which may reduce the number of deficiency statements which the Commission might issue pursuant to PSC 401 (c)(1). For this reason, the Commission finds that NSP's addition should be incorporated verbatim in these rules as PSC 405 (d)(3).

PSC 405 (e) concerns rate structure and design information. Subparagraph (1) states:

A summary comparision of test year operating revenue under present and proposed rates by customer class of service showing the difference in revenue and the percentage change.

Comment by letter dated March 3, 1975, was received from North Central Public Service Company. North Central suggested an alternative subparagraph (1) for the purpose of clarification. The Commission does not believe that North Central's suggestion provides more clarity than the rule as proposed, and is of the opinion that the suggestion changes the meaning of the rule. The rule as proposed is intended to show, by class of service, the amounts of revenue under present and proposed rates for comparison of dollar amounts. The Commission finds that the rule is adequate for this purpose and should stand as proposed.

PSC 405 (e)(2) received comment by several parties, all of whom were basically concerned that the information required therein was unnecessary in the filing and excessively costly and time-consuming for the utility to develop.

North Central Public Service Company requested that some alternative be adopted which would be sufficiently flexible to meet the rule's objective and which would not force the utility into a costly procedure, as the rule presently would. Ultimately this cost is passed to the consumer. (Transcript p. 114-116).

Northern States Power Company (NSP), by Mr. Gene R. Sommers, argued that the time and expense involved in accumulating this information is not justified by the purpose of the provision, although NSP is capable of providing such information. NSP can design a computer program for this purpose, but smaller utilities may require manual calculations.

Further, NSP questions whether the staff, if provided with this information, can test possible variations which they might wish to consider. (Transcript p. 95-98).

Otter Tail Power Company, by letter dated March 3, 1975, suggested the following revision:

> A comparison of test year operating revenue under present and proposed rates for each rate schedule and within each customer class of service. The company should be able to support such comparisons by bill frequency studies and/or the results for a computer program applied to customer billing.

This suggestion was justified by the proposition that the benefits of the information required by the rule do not justify the labor required to compile such data. Otter Tail does not now have the required information available for a sophisticated presentation, and obtaining information would take time and money.

Both Minnesota Power and Light Company (MP&L) and Interstate Power Company (Interstate) suggested that this rule, or a more flexible version thereof, be deleted from PSC 405, initial filing requirements, and placed in PSC 406, additional information requests. (For MP&L, Transcript p. 129-131; letter dated March 3, 1975, and suggested substitute for PSC 406 (a) infra p.30 ; for Interstate, transcript p. 64). Both parties accept that such information might be necessary or useful as additional information, but maintain that it is unnecessary and unduly expensive in the initial filing of notice.

The Commission is aware that this filing requirement will necessitate the expenditure of substantial amounts of time and money. Nonetheless, it is the Commission view that a detailed comparison of test year operating revenue under present and proposed rates is required to illustrate the extent of rate changes being proposed by the utility for each component, to highlight resulting changes in rate structure, and to assist with the audit of the revenues generated by the present and proposed rates. And this information is needed in the initial filing as justification for the proposed rate change. For these reasons the Commission finds that PSC 405 (e)(2) should stand as proposed.

PSC 405 (e)(3) requires inclusion, in the initial filing, of a cost of service study by customer class of service or some other categorization, whenever the utility's proposed rate change results in a material change in its rate structure. The complete rule states:

> A cost of service study by customer class of service, by geographic area, or other categorization as deemed appropriate for the change in rates requested, showing revenues, cost and profitability for each class of service, geographic area, or other appropriate category, identifying the procedures and underlying rationale for cost and revenue allocations. Such study is appropriate whenever the utility proposes a change in its rate structure.

Several parties commented on this rule, with most seeking deletion of the rule. Otter Tail Power Company, in a letter of March 3, 1975, justified its suggestion for deletion by argument that a hearing for rate change application is not the appropriate forum in which to handle information regarding rates of return by class of service. If the Public Service Commission desires a cost of service study and rate design, such should be the subject of separate hearing for that purpose exclusively.

Northern States Power Company (NSP), by Mr. Gene R. Sommers, suggested that this rule be deleted, or at least moved into the area of PSC 406. NSP is of the opinion that cost of

service by customer class studies are highly specialized and detailed; that such studies are arguably becoming obsolete; that requiring such studies in every case is unduly burdensome; that it is difficult under this rule to know when such studies are actually necessary; that these studies should be obtained through PSC 406 when necessary, or in a separate phase of a rate case.

Mr. Gerald O'Brien, appearing on behalf of North Central Public Service Company, also spoke in favor of eliminating this rule from the filing requirements. (Transcript p. 116-118). One objection is that the rule leaves too much to judgment, i.e., as to what constitutes a material change, and the other, more fundamental objection being that changes in rate structure are not necessarily related with changes in revenue requirments. That is to say the determination of revenue requirements is the necessary first step in a rate change proceeding, and no cost of service study is necessary for that step; how much revenue the utility should make is a separate issue from where such revenue should be obtained. These ideas were also stated in a subsequent letter, dated March 3, 1975.

Mr. James R. Habicht, representing Minnesota Pwer and Light Company addressed this issue at hearing and in writing. (Transcript p. 129-130; letter dated March 3, 1975). He submitted that this rule should be deleted because the information required is not necessary in every instance and is expensive to compile. Rather he maintains, such data should be required only when circumstances warrant, noting that the Commission would have authority to institute a hearing on rate structure whenever it appeared necessary. Also, in his opinion, the issues of a rate change and rate structures should be separated.

Mr. D. H. Buswell, for Interstate Power Company, also was of the opinion that this rule is ill-advised. His position is that a general rate change proceeding is an inappropriate format in which to include the matters which this rule covers, because rate change proceedings are already complex and cost of service studies by class of customer is also complex, and the two issues are separable. (Transcript p. 65-71). He suggested that, if the Commission believes this information to be necessary, it should initiate a separate case on its own motion, or perhaps the rule should be placed within the PSC 406 additional information request rule.

An alternative rule was suggested by Mr. Thomas J. Stearns on behalf of the City of St. Paul. By letter of March 2, 1975, St. Paul offered the following:

> A cost of service study by customer class of service, by rate block, or if such is not employed, by other appropriate categorization. The study should show revenues and the period in which revenues are calculated, and costs, including but not limited to the amount and percentage of total costs and to the amount and percentage of marginal or incremental costs allocated to each classification, to each block in the classification, and where appropriate, to the summer-winter block so designed. It should identify, in its outlines, the procedures of the revenue and cost determinations before and after allocations, and of the method of revenue and cost allocations.

> Such study is appropriate whenever the utility proposes a change in rates which results in a material change in the rate structure or whenever the utility has adopted a material change from its historical rate structure within a year of the filing of its application.

St. Paul's justification proceeds as follows: Since cost determinations may be based upon historical cost or some composite of future costs, recitation by the utility should be made of the manner and method of such determinations. Also, some utilities introduced significant changes in rates immediately prior to January 1, 1975, when the Commission began its regulatory duties, and these past changes should have to be justified by a cost of service study as well.

Speaking to St. Paul's last argument the Commission wishes to state that these rules are prospective in nature and not designed to reach rate changes instituted before the Commission's statutory authority commenced.

In respect to the comments of the other parties mentioned above, the Commission believes that the information required by this rule is necessary, at the time of the filing, in the circumstances described in this rule. The Commission further believes that the questions as to materiality of a change and as to whether a change is general, by PSC 401 (a)(1), or miscellaneous, by PSC 401 (a)(2), may be sufficiently answered, by means of a conference with the Commission staff, prior to the filing to enable the utility to proceed in the appropriate manner and avoid delay.

The Commission firmly believes that cost of service studies by customer class, geographical area, and rate component provide a benchmark against which to measure the reasonableness of rate change proposals, and that even where such studies are not the sole basis for rate design they serve as a limiting factor in avoiding undue discrimination among customers and customer classes. § 216B.03 requires that rates shall not be unreasonably preferential or discriminatory, but shall be sufficient, equitable and consistent in application to a class of consumers. To regulate in accordance with this statute the Commission deems it essential that the cost of service studies be required, for general rate changes, at the time of filing.

The rule as proposed would require the information which the Commission, by its staff, believes is necessary. St. Paul's suggested rule is therefore rejected. The rule is also made mandatory for general rate changes, which the Commission finds is also proper; so that the recommendations for moving this rule into PSC 406 are similarly rejected. The Commission believes that rate structure information is essential in a change of rate proceeding.

The Commisison realizes that the obligations of PSC 405 (e)(3) may be among the heaviest imposed in these rules. But based on the comments made in the immediately preceding four paragraphs, the Commission finds that for the purposes of adequate regulation this rule should stand as proposed.

PSC 405 (f) requires additional financial information, varying with the structure of the utility. This information is needed, as applicable, for the Commission to fulfill its statutory obligations, and the Commission finds the rule should stand as proposed. This rule received no comment or criticism from any parties.

PSC 406 - Additional Information Requests

By this rule the Commission has discretion to request information beyond that required by PSC 405. The rule states:

> Upon review of a utility's notice of a change in rates or subsequent thereto, the Commission may request a utility to provide additional information to supplement the information prescribed by PSC 405 within a reasonable time as determined by the Commission.

Minnesota Power and Light Company, by letter of March 3, 1975, suggested that PSC 405 (e)(2) be deleted and a more flexible rule be inserted as PSC 406, so as to put a utility on notice that the data required by PSC 405 (e)(2) may, if necessary, be requested by the Commission.

As discussed previously, supra. p.27, the Commission finds that the data required by PSC405 (e)(2) is necessary for every filing. To be consistent with that finding the Commission must reject Minnesota Power and Light Company's suggestion for PSC 406.

The Commission and its staff recognize that in the course of an examination of a utility's proposed change in rates, or in the course of hearings, additional information may be needed to enable the Commission to render an informed decision as to the reasonableness of proposed rates. PSC 406 adequately provides for this situation.

A final issue concerns the suggestion by Northern States Power Company (NSP) that PSC 400-406 should include a preface indicating the intent of these rules. Transcript p. 94-95. NSP's suggested preface states:

> APPLICABILITY AND CONSTRUCTIONS OF RULES. These rules are procedural in nature only, and they are not to be construed as establishing any matter of substantive administrative law or Commission rate-making policy. The intent of the rule is to provide the Commission, at the time of filing a notice of proposed change in rate with the facts and substantiating documents or exhibits that will allow the Commission and its staff to analyze the filing to determine whether the rate should be suspended and to commence an audit if a hearing is to be held. To further these objectives, the Commission's staff shall, upon request advise a utility intending to file a change in rates of the supplemental information under PSC 405 that is applicable to the particular proceeding, and the Commission may set schedules for delayed filing of supplemental information, if necessary, and provide for prefiling conferences. In addition, the Commission may grant waiver of portions of these rules when appropriate.

This preface contains a similar expression of administrative intent as found in PSC 501. However, the Commission finds that this preface is not sufficiently pertinent to PSC 400-406 to justify its inclusion in these rules. Also, the intent of these rules is apparent from a reading thereof, so that a general statement of intent in this preface is unnecessary.

PSC 407 - Waiver

The Commission did not originally propose a waiver rule. However, this was suggested by NSP. The Commission finds that it would be appropriate to maintain this flexibility and adopts NSP's suggestion. For example, requirements for filing cost studies may be inappropriate for very small utilities because their cost would outweigh their benefit. A waiver provision would enable the Commission to waive such a requirement.

CONCLUSION

PSC 400-407 are designed to regulate the procedures by which a utility seeks a change in rates and to provide the Commission with information on each such change in rates sufficient to determine reasonableness. The Commission finds that these rules are adequate and appropriate to effect the relevant purposes of the Act, without being an undue burden on the utility.

The theory of the regulation of public utilities is the protection of the public with assurance of adequate service on one hand, and on the other, a fair opportunity for the utility to secure a reasonable return from such services. However, the primary purpose for regulation and for this Commission is to serve the interests of the public, and to that end these rules are addressed.

WHEREFORE, IT IS HEREBY ORDERED:

ORDER

That the proposed rules PSC 400-407, as amended, be and are hereby, adopted.

BY ORDER OF THE COMMISSION

/s/ LEO J. AMBROSE
Secretary

DATED: June 19, 1978

(S E A L)