

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

FILE COPY

SF-00006-05 (4/86)

STATE OF MINNESOTA

Office Memorandum

DEPARTMENT : ATTOR...Y GENERAL

DATE : September 11, 1989

TO : CAROLINE HEIL
Rules Attorney
780 American Center Building

FROM : JULIE A. LEPPINK
Special Assistant Attorney General
525 Park Street, Suite 500

PHONE : 296-9422

SUBJECT : In the Matter of the Adopted Rule Relating to Purchase Gas Adjustment Charges

The above-referenced rule has been approved as to its legality by the Attorney General on September 11, 1989.

Enclosed is your copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of the notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published in the State Register in accordance with Minn. Stat. { 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. { 14.34.

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

JAL:BBL.AA6
Enclosures

cc: William Brown, Chief Judge
MaryAnn Hruby
Jon Kingstad, S.A.A.G.

MJE
JAR

RULE REVIEW CHECKLIST

File No. 1623 Docket No. 05-0009, 0729

DATE RECEIVED 8-28-89 ADOPTED W/O HEARING ✓

REVIEW DATE 9-6-89 EMERGENCY RULE _____

DUE DATE 9-11-89 REVISOR APPROVED 8-30-89

APPROVED [illegible] 9/8/89 REVISOR DISAPPROVED yes

DISAPPROVED _____ FILED W/SEC. OF STATE 9/8/89

WITHDRAWN _____ RETURNED TO AGENCY [illegible]

✓ Rule as adopted (4 copies)

✓ ~~Notice to Solicit Outside Information/Opinion (if applicable)~~ stet

1-18-88/11-11-85 ~~Date published in State Register~~ stet

(33) yes ~~Comments~~ stet

_____ ~~Petition for Adoption of a Rule (if applicable)~~

✓ Board's Authorizing Resolution

9-27-89 Date adopted

✓ Proposed Rule

yes Revisor's Certificate

✓ Notice of Intent to Adopt Rule

216B.08 + 16(7) Statutory Authority

yes Small Business Statement

yes Expenditure of public money statement

yes Signature

✓ Statement of Need and Reasonableness (if applicable)

~~yes~~ Small Business Statement

no Fees - § 16A.128

_____ Affidavit of Mailing Notice of Intent to Adopt Rule

_____ Date 30/25 days before adoption

_____ Notice attached

_____ Copy of rule or summary attached

✓ Publication in State Register

3/27/89 Date 30/25 days before adoption

_____ 180-day deadline from:

? Effective date of law requiring rule (14.12) (both rules)

4/26/89 yes end of comment period (§ 14.26) (rules without hearing)

_____ ~~effective date of statutory authority (§ 14.29) (emergency rules)~~

✓ Resolution Adopting

8-9-89 Date adopted

✓ Findings of Fact, Conclusions & Order Adopting

8-9-89 Date

✓ Written requests, submissions or comments

✓ Declaration of attorney

Jon Kingstad Name of SAAG representing agency

✓ Notice of Submission to Atty. Gen. (if applicable)

✓ Aff. of Mailing Notice to Atty. Gen. (if applicable)

Public Utilities Commission

Adopted Permanent Rules Relating to Purchase Gas Adjustment Charges

Rules as Adopted

7825.2390 PURPOSE.

The purpose of parts 7825.2390 to 7825.2920 is to enable regulated gas and electric utilities to adjust rates to reflect changes in the cost of energy delivered to customers from those costs authorized by the commission in the utility's most recent general rate case. Energy costs included in rate schedules are subject to evidentiary hearings in general rate cases filed by the utility. Proposed energy cost adjustments must be submitted to the Department of Public Service. Annual evaluations of energy cost adjustments are made by the Department of Public Service and others as provided for in parts 7825.2390 to 7825.2920.

When a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal is considered a change in rates and must be reviewed according to commission rules and practices relating to utility rate changes.

7825.2400 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 7825.2390 to 7825.2920 have the meanings given them in this part.

Subp. 2. **Annual sales volume.** "Annual sales volume" is the sum of the Mcf, Ccf, or Btu of gas delivered during the most recent 12 months, for which actual data are available, preceding a change in the demand-delivered gas cost.

Subp. 3. **Annual demand volume.** "Annual demand volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding three-year period, normalized for weather. Annual demand volume includes interruptible sales to the extent that demand cost is incurred to service interruptible customers.

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Subp. 4. **Base electric cost.** "Base electric cost" is the cost of fuel consumed in the generation of electricity and the cost of purchased power in the base period expressed as a cost per kilowatt-hour sold.

Subp. 4a. **Base gas cost.** "Base gas cost" is the cost of purchased gas established in the base period and expressed as a cost per Mcf, Ccf, or Btu sold.

Subp. 5. **Base period.** "Base period" is the 12-month period during which the automatic adjustment of charges is set at zero.

Subp. 5a. **Btu.** "Btu" means British thermal unit.

Subp. 6. [See Repealer.]

Subp. 6a. **Ccf.** "Ccf" means 100 cubic feet.

Subp. 6b. **Commission.** "Commission" means the Public Utilities Commission.

Subp. 6c. **Commodity.** "Commodity" means the volume of gas delivered.

Subp. 6d. **Commodity-delivered gas cost.** "Commodity-delivered gas cost" is the ~~cost-of-gas~~ portion of the cost of purchased gas charged a distributing gas utility for its gas supplies and supply-related services ~~which~~, as defined in subpart 12, that is a function of the volume of gas taken. It refers to the cost of purchased gas ~~at-the-point-at-which-the-distributing-utility-takes-title-to-the-gas-and~~, including associated costs incurred to ~~bring~~ deliver the gas to the utility's distribution system~~,-including-for-example:-gathering,-transportation,-processing,-storing,-and-balancing-costs,-taxes,-and-other-charges~~.

Subp. 7. to 11. [Unchanged.]

Subp. 12. **Cost of purchased gas; incorporation by reference.** "Cost of purchased gas" is the cost of gas as defined by the Minnesota uniform system of accounts, class A and B gas utilities, including accounts 800, 801, 802, 803, 804, 804.1, 805, 805.1, ~~806,-807,~~ 808.1, 809.1, 810, ~~823,-842.1,~~ 854, and 858 for energy purchased, as provided by Code of Federal Regulations, title 18, part 201, as amended through April 1,

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1988. These accounts are incorporated by reference. The cost of purchased gas also includes the normal and ordinary cost of injection and withdrawal of gas from storage at the time of withdrawal. All gas public utilities shall use this definition regardless of class.

Subp. 13. [Unchanged.]

Subp. 13a. **Demand.** "Demand" means the maximum daily volumes of gas that the utility has contracted with a supplier or transporter to receive.

Subp. 13b. **Demand-delivered gas cost.** "Demand-delivered gas cost" is ~~gas supply and supply related service costs other than the commodity delivered gas cost, including, for example, the fixed cost determined by contract, and other charges~~ the portion of the cost of purchased gas charged a distributing gas utility for its gas supplies and supply-related services, as defined in subpart 12, other than the commodity-delivered gas cost. It refers to the cost of purchased gas, including associated costs incurred to deliver the gas to the utility's distribution system.

Subp. 13c. **Department.** "Department" means the Department of Public Service.

Subp. 13d. **Design day.** "Design day" means a 24-hour-day period of the greatest possible gas requirement to meet firm customer needs.

Subp. 14. [See Repealer.]

Subp. 15. [Unchanged.]

Subp. 15a. **Kwh.** "Kwh" means kilowatt-hour.

Subp. 15b. **Mcf.** "Mcf" means 1,000 cubic feet.

Subp. 16. and 17. [Unchanged.]

Subp. 18. **Test year.** "Test year" is the period of 12 consecutive months used for evaluating a need for a change in rates.

Subp. 19. **Test year demand volume.** "Test year demand volume" is the amount of demand approved by the commission and occurring during the test year.

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7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF CHARGES.

The commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided the provisions conform to parts 7825.2600 to 7825.2920. Parts 7825.2390 to 7825.2920 are applicable to all classes of public utilities.

Provisions for automatic adjustment of charges must encompass:

A. [Unchanged.]

B. Changes in cost resulting from changes in the commodity-delivered gas cost and demand-delivered gas cost for purchased gas and changes in the cost of fuel consumed in the manufacture of gas or peak shaving gas volumes. This provision is entitled purchased gas adjustment.

7825.2600 ELECTRIC ENERGY ADJUSTMENT.

Subpart 1. **Computation generally.** The computations of the automatic adjustment to charges must conform to the procedures set forth in this part.

The amount of the billing period adjustment to charges must be determined by extending kilowatt-hour sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **Adjustment per Kwh.** The adjustment per Kwh is the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base electric cost per Kwh. However, a utility that purchases at least 75 percent of its annual total Kwh sales may also separately add, upon commission approval, an additional adjustment per Kwh equal to the difference between the purchased demand cost and the base electric cost of purchased demand. This purchased demand cost adjustment is to be computed annually for the previous year less the demand base electric cost per Kwh.

Subp. 3. **When adjustments calculated, applied.** The

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adjustment to charges must be made in the next complete billing period succeeding the determination of the adjustment per Kwh, provided the adjustment has been filed as defined by part 7825.2900. The adjustment factor must be calculated monthly. However, a self-billing utility may calculate the adjustment less frequently, upon commission approval but at least annually, and shall provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount must be rounded such that the projected recovery is within two percent of the change in total cost.

7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

Subpart 1. **Computation generally.** The computation of the automatic adjustment of charges must conform to the procedures set forth in this part.

The amount of the billing period adjustment to charges must be determined by applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period. The adjustment per Mcf, Ccf, or Btu or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **New base gas cost.** A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost ~~includes a~~ must separately state the commodity base cost and a the demand base cost components for each class. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

Subp. 3. **Adjustment per Mcf, Ccf, or Btu.** The adjustment per Mcf, Ccf, or Btu is the sum of the commodity adjustment, demand adjustment, peak shaving gas adjustment, manufactured gas adjustment, and true-up adjustment. The adjustment per Mcf,

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Ccf, or Btu must be applied to billings whenever the change in commodity-delivered gas cost and demand-delivered gas cost exceeds $0.03 per 1,000,000 Btu's. Subject to commission approval, a gas utility may include in its rate schedules a provision to apply an automatic adjustment of charges to billings on a more frequent basis to reflect changes in the commodity-delivered gas cost or in the demand-delivered gas cost. If there has been no automatic adjustment of charges for three months, the adjustment must be made three months from the date of the last adjustment. Adjustments must be filed under part 7825.2910.

Subp. 4. **Commodity adjustment.** The commodity adjustment is the change in the commodity rate which results from a difference between the commodity-delivered gas cost and the commodity base cost. To properly reflect adjustment per Mcf, Ccf, or Btu billed, the divisor for a particular class of customer must include total sales volume forecasted to be delivered to that class of customer over a budgeted 12-month period.

Subp. 5. **Demand adjustment.** The demand adjustment is the change in the annual demand rate which results from a difference between the demand-delivered gas cost and the demand base cost. In the event the demand-delivered gas cost does not change, the demand adjustment must be recalculated for each 12-month period from the date of the last change. The adjustment must be computed using test year demand volumes for three years after the end of the utility's most recent general rate case test year. After this time period, the demand adjustment must be computed on the basis of annual demand volume.

If a customer class is billed separately for demand, the demand adjustment must be computed on the basis of the demand component of the rate for that class and applied to the demand charge.

Subd. 6. **Peak shaving and manufactured gas adjustment.** The peak shaving adjustment or the manufactured gas adjustment is the difference between the cost of propane or fuel consumed

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in the manufacture of gas during the heating season and the peak shaving or manufactured gas base cost. The peak shaving or manufactured gas adjustment must be computed annually on the basis of forecasted firm annual sales volume, adjusted to the extent peak shaving gas or manufactured gas is used to serve interruptible customers; and to that extent the cost of peak shaving gas or manufactured gas must be applied to interruptible customers. The adjustment must be applied to billings during the next 12-month period commencing on September 1 of each year provided the adjustment has been filed under part 7825.2910.

Subp. 7. **True-up amount.** The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

Subp. 8. **Refunds.** Refunds and interest on the refunds, that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, must be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than $5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

All public utilities shall file annually on September 1 of each year the procurement policies for selecting sources of fuel

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and energy purchased, dispatching policies, if applicable, and a summary of actions taken to minimize cost including conservation actions for gas utilities.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

Subpart 1. **Gas and electric utilities.** By September 1 of each year, gas and electric utilities shall submit to the commission an annual reporting by month of automatic adjustment charges for each customer class for the previous year commencing July 1 and ending June 30. This report must include:

A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4 or 4a;

B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas by major component, peak shaving gas, or manufactured gas;

C. [Unchanged.]

D. the total cost of fuel or gas delivered to customers including, for gas utilities, the cost of supply-related services;

E. to G. [Unchanged.]

Subp. 2. **Additional information from gas utilities.** In addition to the requirements in subpart 1, gas utilities are required to report:

A. purchased gas adjustment rule variances in effect or requested during the 12-month reporting period and reasons why those variances were necessary;

B. changes in demand contracted for during the reporting period and reasons for those revisions;

C. the level of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting period; and

D. a brief explanation of deviations between gas cost recovery and actual gas cost during the reporting period.

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, electric utilities shall

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submit to the commission a five-year projection of fuel costs by energy source by month for the first two years and on an annual basis thereafter.

By September 1 of each year, each gas utility shall submit to the commission a brief statement of its opinion on the impact of market forces on gas costs for the coming year.

FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

7825.2900 FILING BY ELECTRIC UTILITIES.

Subpart 1. **Filing required.** When an electric utility changes its automatic adjustment of charges, the utility, before the effective date of the change, shall file:

A. a summary of the computation of the adjustment;

B. an explanation of significant changes between the base cost and current cost quantified as to price, mix, thermal efficiency, and distribution loss; and

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

Subp. 2. to 4. [See Repealer.]

7825.2910 FILING BY GAS UTILITIES.

Subpart 1. **Monthly reports.** Gas utilities shall submit monthly to the department purchased gas adjustment reports, which must include:

A. a summary of adjustments that were implemented in the previous month and the computation of each adjustment;

B. an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

C. the estimated previous month's and year-to-date commodity-delivered gas cost by supplier;

D. estimated gas volumes purchased from suppliers whose gas rates are not regulated by the Federal Energy Regulatory Commission; and

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E. estimated costs of gas purchased in item D expressed as a percentage of all commodity-delivered gas costs and demand-delivered gas costs.

The department shall summarize the monthly reports every three months and submit the summary to the commission for review.

Subp. 2. **Filing upon change in demand.** Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

A. a description of the factors contributing to the need for changing demand;

B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

Subp. 3. **Notice.** A gas utility shall provide notice to the intervenors in its previous two general rate cases of the availability of the change in demand filing when it submits the filing to the department.

Subp. 4. **True-up filing.** Gas utilities shall file and implement on September 1 of each year the true-up adjustment computed under part 7825.2700, subpart 7, for the previous year commencing July 1 and ending June 30.

7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

Subpart 1. **Approval.** Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.

Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if

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(1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

Subp. 3. **Commission action.** The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current levels, discontinue, or modify an automatic adjustment provision for an individual utility.

IMPLEMENTATION. Existing variances to parts 7825.2500, 7825.2700, 7825.2810, and 7825.2900 in effect on the effective date of these amendments to parts 7825.2390 to 7825.3000, are modified to eliminate conflicts with parts 7825.2390 to 7825.2920, as amended, on and after the effective date of these amendments.

INSTRUCTION TO REVISOR. The revisor of statutes shall change the term "7825.3000" to "7825.2920" in part 7825.3100, subpart 9, in the next and subsequent editions and supplements of Minnesota Rules.

REPEALER. Minnesota Rules, parts 7825.2400, subparts 6 and 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.

Approved
by Revisor _____

APPROVED AS TO FORM AND LEGALITY

9/8 19 89

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY _____
SPECIAL ASSISTANT ATTORNEY GENERAL

RECEIVED

SEP 11 1989

SECRETARY OF STATE

Elaine V. Orr
Deputy Secretary of State
3:50 pm

AUTHORIZATION TO PROCEED WITH AMENDMENT
OF RULES WITHOUT A PUBLIC HEARING
Docket No. G-999/R-85-789

BE IT RESOLVED, that the Executive Secretary of the Minnesota Public Utilities Commission (Commission) is hereby granted the authority to sign and to give notice of the Commission's intent to adopt, without a public hearing, the attached amendments to rules governing purchased gas adjustments, Minn. Rules, parts 7825.2390 to 7825.3000, to all persons who have registered their names with the Commission for that purpose and publish the notice and the rules in the State Register, and to perform any acts incidental thereto, including making any form changes in the rules that the Revisor of Statutes requires the Commission to make in order to obtain the Revisor's certification as required by Minn. Stat. section 14.07, subd. 2 (1986).

BE IT FURTHER RESOLVED, that in the event a public hearing becomes necessary, the Executive Secretary is hereby granted the authority and directed to call a hearing for the purpose of promulgating said rules as well as to perform any and all acts incidental thereto, including but not limited to signing an Order for and Notice of Hearing, as well as acting as the Commission's representative at all hearings.

Barbara Beerhalter

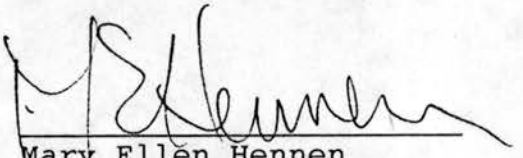
Barbara Beerhalter
Chair

CERTIFICATE OF AUTHORIZING RESOLUTION
Docket No. G-999/R-85-789

I, Mary Ellen Hennen, do hereby certify that I am the Executive Secretary of the Minnesota Public Utilities Commission (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 the 29th day of September, 1988, that a quorum was present at said meeting, that a majority of those present voted for the resolution and that said resolution will be set forth in the minutes of said meeting and has not been rescinded or modified:

> BE IT RESOLVED, that the Executive Secretary of the Minnesota Public Utilities Commission (Commission) is hereby granted the authority to sign and to give notice of the Commission's intent to adopt, without a public hearing, the attached amendments to rules governing purchased gas adjustments, Minn. Rules, parts 7825.2390 to 7825.3000, to all persons who have registered their names with the Commission for that purpose and publish the notice and the rules in the State Register, and to perform any acts incidental thereto, including making any form changes in the rules that the Revisor of Statutes requires the Commission to make in order to obtain the Revisor's certification as required by Minn. Stat. § 14.07, subd. 2 (1988).
>
> BE IT FURTHER RESOLVED, that in the event a public hearing becomes necessary, the Executive Secretary is hereby granted the authority and directed to call a hearing for the purpose of promulgating said rules as well as to perform any and all acts incidental thereto, including but not limited to signing an Order for and Notice of Hearing, as well as acting as the Commission's representative at all hearings.

IN WITNESS WHEREOF, I have hereunto subscribed by name this 22 day of August, 1989.



Mary Ellen Hennen
Executive Secretary

Public Utilities Commission

Adopted Permanent Rules Relating to Purchase Gas Adjustment Charges

Rules as Adopted

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The purpose of parts 7825.2390 to 7825.2920 is to enable regulated gas and electric utilities to adjust rates to reflect changes in the cost of energy delivered to customers from those costs authorized by the commission in the utility's most recent general rate case. Energy costs included in rate schedules are subject to evidentiary hearings in general rate cases filed by the utility. Proposed energy cost adjustments must be submitted to the Department of Public Service. Annual evaluations of energy cost adjustments are made by the Department of Public Service and others as provided for in parts 7825.2390 to 7825.2920.

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by Revisor _____

7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF CHARGES.

The commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided the provisions conform to parts 7825.2600 to 7825.2920. Parts 7825.2390 to 7825.2920 are applicable to all classes of public utilities.

Provisions for automatic adjustment of charges must encompass:

A. [Unchanged.]

B. Changes in cost resulting from changes in the commodity-delivered gas cost and demand-delivered gas cost for purchased gas and changes in the cost of fuel consumed in the manufacture of gas or peak shaving gas volumes. This provision is entitled purchased gas adjustment.

7825.2600 ELECTRIC ENERGY ADJUSTMENT.

Subpart 1. **Computation generally.** The computations of the automatic adjustment to charges must conform to the procedures set forth in this part.

The amount of the billing period adjustment to charges must be determined by extending kilowatt-hour sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **Adjustment per Kwh.** The adjustment per Kwh is the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base electric cost per Kwh. However, a utility that purchases at least 75 percent of its annual total Kwh sales may also separately add, upon commission approval, an additional adjustment per Kwh equal to the difference between the purchased demand cost and the base electric cost of purchased demand. This purchased demand cost adjustment is to be computed annually for the previous year less the demand base electric cost per Kwh.

Subp. 3. **When adjustments calculated, applied.** The

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adjustment to charges must be made in the next complete billing period succeeding the determination of the adjustment per Kwh, provided the adjustment has been filed as defined by part 7825.2900. The adjustment factor must be calculated monthly. However, a self-billing utility may calculate the adjustment less frequently, upon commission approval but at least annually, and shall provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount must be rounded such that the projected recovery is within two percent of the change in total cost.

7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

Subpart 1. **Computation generally.** The computation of the automatic adjustment of charges must conform to the procedures set forth in this part.

The amount of the billing period adjustment to charges must be determined by applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period. The adjustment per Mcf, Ccf, or Btu or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **New base gas cost.** A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost ~~includes a~~ shall separately state the commodity base cost and ~~a~~ the demand base cost components for each class. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

Subp. 3. **Adjustment per Mcf, Ccf, or Btu.** The adjustment per Mcf, Ccf, or Btu is the sum of the commodity adjustment, demand adjustment, peak shaving gas adjustment, manufactured gas adjustment, and true-up adjustment. The adjustment per Mcf,

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Ccf, or Btu must be applied to billings whenever the change in commodity-delivered gas cost and demand-delivered gas cost exceeds $0.03 per 1,000,000 Btu's. Subject to commission approval, a gas utility may include in its rate schedules a provision to apply an automatic adjustment of charges to billings on a more frequent basis to reflect changes in the commodity-delivered gas cost or in the demand-delivered gas cost. If there has been no automatic adjustment of charges for three months, the adjustment must be made three months from the date of the last adjustment. Adjustments must be filed under part 7825.2910.

Subp. 4. **Commodity adjustment.** The commodity adjustment is the change in the commodity rate which results from a difference between the commodity-delivered gas cost and the commodity base cost. To properly reflect adjustment per Mcf, Ccf, or Btu billed, the divisor for a particular class of customer must include total sales volume forecasted to be delivered to that class of customer over a budgeted 12-month period.

Subp. 5. **Demand adjustment.** The demand adjustment is the change in the annual demand rate which results from a difference between the demand-delivered gas cost and the demand base cost. In the event the demand-delivered gas cost does not change, the demand adjustment must be recalculated for each 12-month period from the date of the last change. The adjustment must be computed using test year demand volumes for three years after the end of the utility's most recent general rate case test year. After this time period, the demand adjustment must be computed on the basis of annual demand volume.

If a customer class is billed separately for demand, the demand adjustment must be computed on the basis of the demand component of the rate for that class and applied to the demand charge.

Subd. 6. **Peak shaving and manufactured gas adjustment.** The peak shaving adjustment or the manufactured gas adjustment is the difference between the cost of propane or fuel consumed

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in the manufacture of gas during the heating season and the peak shaving or manufactured gas base cost. The peak shaving or manufactured gas adjustment must be computed annually on the basis of forecasted firm annual sales volume, adjusted to the extent peak shaving gas or manufactured gas is used to serve interruptible customers; and to that extent the cost of peak shaving gas or manufactured gas must be applied to interruptible customers. The adjustment must be applied to billings during the next 12-month period commencing on September 1 of each year provided the adjustment has been filed under part 7825.2910.

Subp. 7. **True-up amount.** The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

Subp. 8. **Refunds.** Refunds and interest on the refunds, that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, must be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than $5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

All public utilities shall file annually on September 1 of each year the procurement policies for selecting sources of fuel

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and energy purchased, dispatching policies, if applicable, and a summary of actions taken to minimize cost including conservation actions for gas utilities.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

Subpart 1. **Gas and electric utilities.** By September 1 of each year, gas and electric utilities shall submit to the commission an annual reporting by month of automatic adjustment charges for each customer class for the previous year commencing July 1 and ending June 30. This report must include:

A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4 or 4a;

B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas by major component, peak shaving gas, or manufactured gas;

C. [Unchanged.]

D. the total cost of fuel or gas delivered to customers including, for gas utilities, the cost of supply-related services;

E. to G. [Unchanged.]

Subp. 2. **Additional information from gas utilities.** In addition to the requirements in subpart 1, gas utilities are required to report:

A. purchased gas adjustment rule variances in effect or requested during the 12-month reporting period and reasons why those variances were necessary;

B. changes in demand contracted for during the reporting period and reasons for those revisions;

C. the level of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting period; and

D. a brief explanation of deviations between gas cost recovery and actual gas cost during the reporting period.

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, electric utilities shall

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submit to the commission a five-year projection of fuel costs by energy source by month for the first two years and on an annual basis thereafter.

By September 1 of each year, each gas utility shall submit to the commission a brief statement of its opinion on the impact of market forces on gas costs for the coming year.

FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

7825.2900 FILING BY ELECTRIC UTILITIES.

Subpart 1. **Filing required.** When an electric utility changes its automatic adjustment of charges, the utility, before the effective date of the change, shall file:

A. a summary of the computation of the adjustment;

B. an explanation of significant changes between the base cost and current cost quantified as to price, mix, thermal efficiency, and distribution loss; and

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

Subp. 2. to 4. [See Repealer.]

7825.2910 FILING BY GAS UTILITIES.

Subpart 1. **Monthly reports.** Gas utilities shall submit monthly to the department purchased gas adjustment reports, which must include:

A. a summary of adjustments that were implemented in the previous month and the computation of each adjustment;

B. an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

C. the estimated previous month's and year-to-date commodity-delivered gas cost by supplier;

D. estimated gas volumes purchased from suppliers whose gas rates are not regulated by the Federal Energy Regulatory Commission; and

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E. estimated costs of gas purchased in item D expressed as a percentage of all commodity-delivered gas costs and demand-delivered gas costs.

The department shall summarize the monthly reports every three months and submit the summary to the commission for review.

Subp. 2. **Filing upon change in demand.** Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

A. a description of the factors contributing to the need for changing demand;

B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

Subp. 3. **Notice.** A gas utility shall provide notice to the intervenors in its previous two general rate cases of the availability of the change in demand filing when it submits the filing to the department.

Subp. 4. **True-up filing.** Gas utilities shall file and implement on September 1 of each year the true-up adjustment computed under part 7825.2700, subpart 7, for the previous year commencing July 1 and ending June 30.

7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

Subpart 1. **Approval.** Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.

Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if

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(1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

Subp. 3. **Commission action.** The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current levels, discontinue, or modify an automatic adjustment provision for an individual utility.

IMPLEMENTATION. Existing variances to parts 7825.2500, 7825.2700, 7825.2810, and 7825.2900 in effect on the effective date of these amendments to parts 7825.2390 to 7825.3000, are modified to eliminate conflicts with parts 7825.2390 to 7825.2920, as amended, on and after the effective date of these amendments.

INSTRUCTION TO REVISOR. The revisor of statutes shall change the term "7825.3000" to "7825.2920" in part 7825.3100, subpart 9, in the next and subsequent editions and supplements of Minnesota Rules.

REPEALER. Minnesota Rules, parts 7825.2400, subparts 6 and 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.

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APPROVED AS TO FORM AND LEGALITY

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HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY _____
SPECIAL ASSISTANT ATTORNEY GENERAL

Public Utilities Commission

Adopted Permanent Rules Relating to Purchase Gas Adjustment Charges

Rules as Adopted

7825.2390 PURPOSE.

The purpose of parts 7825.2390 to 7825.2920 is to enable regulated gas and electric utilities to adjust rates to reflect changes in the cost of energy delivered to customers from those costs authorized by the commission in the utility's most recent general rate case. Energy costs included in rate schedules are subject to evidentiary hearings in general rate cases filed by the utility. Proposed energy cost adjustments must be submitted to the Department of Public Service. Annual evaluations of energy cost adjustments are made by the Department of Public Service and others as provided for in parts 7825.2390 to 7825.2920.

When a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal is considered a change in rates and must be reviewed according to commission rules and practices relating to utility rate changes.

7825.2400 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 7825.2390 to 7825.2920 have the meanings given them in this part.

Subp. 2. **Annual sales volume.** "Annual sales volume" is the sum of the Mcf, Ccf, or Btu of gas delivered during the most recent 12 months, for which actual data are available, preceding a change in the demand-delivered gas cost.

Subp. 3. **Annual demand volume.** "Annual demand volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding three-year period, normalized for weather. Annual demand volume includes interruptible sales to the extent that demand cost is incurred to service interruptible customers.

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Subp. 4. **Base electric cost.** "Base electric cost" is the cost of fuel consumed in the generation of electricity and the cost of purchased power in the base period expressed as a cost per kilowatt-hour sold.

Subp. 4a. **Base gas cost.** "Base gas cost" is the cost of purchased gas established in the base period and expressed as a cost per Mcf, Ccf, or Btu sold.

Subp. 5. **Base period.** "Base period" is the 12-month period during which the automatic adjustment of charges is set at zero.

Subp. 5a. **Btu.** "Btu" means British thermal unit.

Subp. 6. [See Repealer.]

Subp. 6a. **Ccf.** "Ccf" means 100 cubic feet.

Subp. 6b. **Commission.** "Commission" means the Public Utilities Commission.

Subp. 6c. **Commodity.** "Commodity" means the volume of gas delivered.

Subp. 6d. **Commodity-delivered gas cost.** "Commodity-delivered gas cost" is the ~~cost-of-gas~~ portion of the cost of purchased gas charged a distributing gas utility for its gas supplies and supply-related services ~~which~~, as defined in subpart 12, that is a function of the volume of gas taken. It refers to the cost of purchased gas ~~at-the-point-at-which-the distributing-utility-takes-title-to-the-gas-and~~, including associated costs incurred to ~~bring~~ deliver the gas to the utility's distribution system~~,-including-for-example: gathering,-transportation,-processing,-storing,-and-balancing costs,-taxes,-and-other-charges~~.

Subp. 7. to 11. [Unchanged.]

Subp. 12. **Cost of purchased gas; incorporation by reference.** "Cost of purchased gas" is the cost of gas as defined by the Minnesota uniform system of accounts, class A and B gas utilities, including accounts 800, 801, 802, 803, 804, 804.1, 805, 805.1, ~~806,-807~~ 808.1, 809.1, 810, ~~823,-842.1~~ 854, and 858 for energy purchased, as provided by Code of Federal Regulations, title 18, part 201, as amended through April 1,

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1988. These accounts are incorporated by reference. The cost of purchased gas also includes the normal and ordinary cost of injection and withdrawal of gas from storage at the time of withdrawal. All gas public utilities shall use this definition regardless of class.

Subp. 13. [Unchanged.]

Subp. 13a. **Demand.** "Demand" means the maximum daily volumes of gas that the utility has contracted with a supplier or transporter to receive.

Subp. 13b. **Demand-delivered gas cost.** "Demand-delivered gas cost" is ~~gas-supply-and-supply-related-service-costs-other than-the-commodity-delivered-gas-cost,-including,-for-example, the-fixed-cost-determined-by-contract,-and-other-charges~~ the portion of the cost of purchased gas charged a distributing gas utility for its gas supplies and supply-related services, as defined in subpart 12, other than the commodity-delivered gas cost. It refers to the cost of purchased gas, including associated costs incurred to deliver the gas to the utility's distribution system.

Subp. 13c. **Department.** "Department" means the Department of Public Service.

Subp. 13d. **Design day.** "Design day" means a 24-hour-day period of the greatest possible gas requirement to meet firm customer needs.

Subp. 14. [See Repealer.]

Subp. 15. [Unchanged.]

Subp. 15a. **Kwh.** "Kwh" means kilowatt-hour.

Subp. 15b. **Mcf.** "Mcf" means 1,000 cubic feet.

Subp. 16. and 17. [Unchanged.]

Subp. 18. **Test year.** "Test year" is the period of 12 consecutive months used for evaluating a need for a change in rates.

Subp. 19. **Test year demand volume.** "Test year demand volume" is the amount of demand approved by the commission and occurring during the test year.

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7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF CHARGES.

The commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided the provisions conform to parts 7825.2600 to 7825.2920. Parts 7825.2390 to 7825.2920 are applicable to all classes of public utilities.

Provisions for automatic adjustment of charges must encompass:

A. [Unchanged.]

B. Changes in cost resulting from changes in the commodity-delivered gas cost and demand-delivered gas cost for purchased gas and changes in the cost of fuel consumed in the manufacture of gas or peak shaving gas volumes. This provision is entitled purchased gas adjustment.

7825.2600 ELECTRIC ENERGY ADJUSTMENT.

Subpart 1. **Computation generally.** The computations of the automatic adjustment to charges must conform to the procedures set forth in this part.

The amount of the billing period adjustment to charges must be determined by extending kilowatt-hour sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **Adjustment per Kwh.** The adjustment per Kwh is the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base electric cost per Kwh. However, a utility that purchases at least 75 percent of its annual total Kwh sales may also separately add, upon commission approval, an additional adjustment per Kwh equal to the difference between the purchased demand cost and the base electric cost of purchased demand. This purchased demand cost adjustment is to be computed annually for the previous year less the demand base electric cost per Kwh.

Subp. 3. **When adjustments calculated, applied.** The

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adjustment to charges must be made in the next complete billing period succeeding the determination of the adjustment per Kwh, provided the adjustment has been filed as defined by part 7825.2900. The adjustment factor must be calculated monthly. However, a self-billing utility may calculate the adjustment less frequently, upon commission approval but at least annually, and shall provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount must be rounded such that the projected recovery is within two percent of the change in total cost.

7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

Subpart 1. **Computation generally.** The computation of the automatic adjustment of charges must conform to the procedures set forth in this part.

The amount of the billing period adjustment to charges must be determined by applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period. The adjustment per Mcf, Ccf, or Btu or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **New base gas cost.** A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost ~~includes a~~ shall separately state the commodity base cost and ~~a~~ the demand base cost components for each class. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

Subp. 3. **Adjustment per Mcf, Ccf, or Btu.** The adjustment per Mcf, Ccf, or Btu is the sum of the commodity adjustment, demand adjustment, peak shaving gas adjustment, manufactured gas adjustment, and true-up adjustment. The adjustment per Mcf,

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Ccf, or Btu must be applied to billings whenever the change in commodity-delivered gas cost and demand-delivered gas cost exceeds $0.03 per 1,000,000 Btu's. Subject to commission approval, a gas utility may include in its rate schedules a provision to apply an automatic adjustment of charges to billings on a more frequent basis to reflect changes in the commodity-delivered gas cost or in the demand-delivered gas cost. If there has been no automatic adjustment of charges for three months, the adjustment must be made three months from the date of the last adjustment. Adjustments must be filed under part 7825.2910.

Subp. 4. **Commodity adjustment.** The commodity adjustment is the change in the commodity rate which results from a difference between the commodity-delivered gas cost and the commodity base cost. To properly reflect adjustment per Mcf, Ccf, or Btu billed, the divisor for a particular class of customer must include total sales volume forecasted to be delivered to that class of customer over a budgeted 12-month period.

Subp. 5. **Demand adjustment.** The demand adjustment is the change in the annual demand rate which results from a difference between the demand-delivered gas cost and the demand base cost. In the event the demand-delivered gas cost does not change, the demand adjustment must be recalculated for each 12-month period from the date of the last change. The adjustment must be computed using test year demand volumes for three years after the end of the utility's most recent general rate case test year. After this time period, the demand adjustment must be computed on the basis of annual demand volume.

If a customer class is billed separately for demand, the demand adjustment must be computed on the basis of the demand component of the rate for that class and applied to the demand charge.

Subd. 6. **Peak shaving and manufactured gas adjustment.** The peak shaving adjustment or the manufactured gas adjustment is the difference between the cost of propane or fuel consumed

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in the manufacture of gas during the heating season and the peak shaving or manufactured gas base cost. The peak shaving or manufactured gas adjustment must be computed annually on the basis of forecasted firm annual sales volume, adjusted to the extent peak shaving gas or manufactured gas is used to serve interruptible customers; and to that extent the cost of peak shaving gas or manufactured gas must be applied to interruptible customers. The adjustment must be applied to billings during the next 12-month period commencing on September 1 of each year provided the adjustment has been filed under part 7825.2910.

Subp. 7. **True-up amount.** The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

Subp. 8. **Refunds.** Refunds and interest on the refunds, that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, must be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than $5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

All public utilities shall file annually on September 1 of each year the procurement policies for selecting sources of fuel

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and energy purchased, dispatching policies, if applicable, and a summary of actions taken to minimize cost including conservation actions for gas utilities.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

Subpart 1. **Gas and electric utilities.** By September 1 of each year, gas and electric utilities shall submit to the commission an annual reporting by month of automatic adjustment charges for each customer class for the previous year commencing July 1 and ending June 30. This report must include:

A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4 or 4a;

B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas by major component, peak shaving gas, or manufactured gas;

C. [Unchanged.]

D. the total cost of fuel or gas delivered to customers including, for gas utilities, the cost of supply-related services;

E. to G. [Unchanged.]

Subp. 2. **Additional information from gas utilities.** In addition to the requirements in subpart 1, gas utilities are required to report:

A. purchased gas adjustment rule variances in effect or requested during the 12-month reporting period and reasons why those variances were necessary;

B. changes in demand contracted for during the reporting period and reasons for those revisions;

C. the level of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting period; and

D. a brief explanation of deviations between gas cost recovery and actual gas cost during the reporting period.

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, electric utilities shall

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submit to the commission a five-year projection of fuel costs by energy source by month for the first two years and on an annual basis thereafter.

By September 1 of each year, each gas utility shall submit to the commission a brief statement of its opinion on the impact of market forces on gas costs for the coming year.

FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

7825.2900 FILING BY ELECTRIC UTILITIES.

Subpart 1. **Filing required.** When an electric utility changes its automatic adjustment of charges, the utility, before the effective date of the change, shall file:

A. a summary of the computation of the adjustment;

B. an explanation of significant changes between the base cost and current cost quantified as to price, mix, thermal efficiency, and distribution loss; and

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

Subp. 2. to 4. [See Repealer.]

7825.2910 FILING BY GAS UTILITIES.

Subpart 1. **Monthly reports.** Gas utilities shall submit monthly to the department purchased gas adjustment reports, which must include:

A. a summary of adjustments that were implemented in the previous month and the computation of each adjustment;

B. an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

C. the estimated previous month's and year-to-date commodity-delivered gas cost by supplier;

D. estimated gas volumes purchased from suppliers whose gas rates are not regulated by the Federal Energy Regulatory Commission; and

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E. estimated costs of gas purchased in item D expressed as a percentage of all commodity-delivered gas costs and demand-delivered gas costs.

The department shall summarize the monthly reports every three months and submit the summary to the commission for review.

Subp. 2. **Filing upon change in demand.** Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

A. a description of the factors contributing to the need for changing demand;

B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

Subp. 3. **Notice.** A gas utility shall provide notice to the intervenors in its previous two general rate cases of the availability of the change in demand filing when it submits the filing to the department.

Subp. 4. **True-up filing.** Gas utilities shall file and implement on September 1 of each year the true-up adjustment computed under part 7825.2700, subpart 7, for the previous year commencing July 1 and ending June 30.

7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

Subpart 1. **Approval.** Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.

Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if

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(1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

Subp. 3. **Commission action.** The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current levels, discontinue, or modify an automatic adjustment provision for an individual utility.

IMPLEMENTATION. Existing variances to parts 7825.2500, 7825.2700, 7825.2810, and 7825.2900 in effect on the effective date of these amendments to parts 7825.2390 to 7825.3000, are modified to eliminate conflicts with parts 7825.2390 to 7825.2920, as amended, on and after the effective date of these amendments.

INSTRUCTION TO REVISOR. The revisor of statutes shall change the term "7825.3000" to "7825.2920" in part 7825.3100, subpart 9, in the next and subsequent editions and supplements of Minnesota Rules.

REPEALER. Minnesota Rules, parts 7825.2400, subparts 6 and 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.

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APPROVED AS TO FORM AND LEGALITY

9/8, 1965

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY _____
SPECIAL ASSISTANT ATTORNEY GENERAL

Public Utilities Commission

Proposed Permanent Rules Relating to Purchase Gas Adjustment Charges

Rules as Proposed

7825.2390 PURPOSE.

The purpose of parts 7825.2390 to ~~7825.3000~~ 7825.2920 is to ~~allow a means by which~~ enable regulated gas and electric utilities ~~may~~ to adjust ~~for increases and decreases~~ rates to reflect changes in the cost of energy delivered to customers ~~that are different~~ from those costs authorized by the commission in the utility's most recent general rate case. Energy costs included in rate schedules are subject to evidentiary hearings in general rate cases filed by the utility. Proposed energy cost adjustments must be submitted ~~before billing~~ to the Department of Public Service. Annual ~~evaluation~~ evaluations of energy cost adjustments ~~must be~~ are made by the Department of Public Service and others as provided for in parts 7825.2390 to ~~7825.3000~~ 7825.2920.

When a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal is considered a change in rates and must be reviewed according to commission rules and practices relating to utility rate changes.

7825.2400 DEFINITIONS.

Subpart 1. **Scope.** ~~For the purpose of~~ The terms used in parts 7825.2390 to ~~7825.3000, the following definitions apply~~ 7825.2920 have the meanings given them in this part.

Subp. 2. **Annual sales volume.** "Annual sales volume" is the sum of the Mcf, Ccf, or Btu of gas delivered during the most recent 12 months ~~of the 14 month period~~, for which actual data are available, preceding a change in the ~~city gate rate or end of the heating season for which actual data is available~~ demand-delivered gas cost.

Subp. 3. **Annual demand sales volume.** "Annual demand sales

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

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Subp. 4a. **Base gas cost.** "Base gas cost" is the cost of purchased gas established in the base period and expressed as a cost per Mcf, Ccf, or Btu sold.

Subp. 5. **Base period.** "Base period" is the 12-month period during which the automatic adjustment of charges is set at zero.

Subp. 5a. **Btu.** "Btu" means British thermal unit.

Subp. 6. [See Repealer.]

Subp. 6a. **Ccf.** "Ccf" means 100 cubic feet.

Subp. 6b. **Commission.** "Commission" means the Public Utilities Commission.

Subp. 6c. **Commodity.** "Commodity" means the volume of gas delivered.

Subp. 6d. **Commodity-delivered gas cost.** "Commodity-delivered gas cost" is the cost of gas charged a distributing gas utility for its gas supplies and supply-related services which is a function of the volume of gas taken. It refers to the cost of gas at the point at which the distributing utility takes title to the gas and associated costs incurred to bring the gas to the utility's distribution system, including for example: gathering, transportation, processing, storing, and balancing costs, taxes, and other charges.

Subp. 7. to 11. [Unchanged.]

Subp. 12. **Cost of purchased gas; incorporation by reference.** "Cost of purchased gas" is the cost of gas as

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Subp. 13. [Unchanged.]

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Subp. 13c. **Department.** "Department" means the Department of Public Service.

Subp. 13d. **Design day.** "Design day" means a 24-hour-day period of the greatest possible gas requirement to meet firm customer needs.

Subp. 14. [See Repealer.]

Subp. 15. [Unchanged.]

Subp. 15a. **Kwh.** "Kwh" means kilowatt-hour.

Subp. 15b. **Mcf.** "Mcf" means 1,000 cubic feet.

Subp. 16. and 17. [Unchanged.]

Subp. 18. **Test year.** "Test year" is the period of 12 consecutive months used for evaluating a need for a change in rates.

Subp. 19. **Test year demand volume.** "Test year demand volume" is the amount of demand approved by the commission and occurring during the test year.

7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF CHARGES.

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The commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided the provisions conform to parts 7825.2600 to ~~7825.3000~~ 7825.2920. Parts 7825.2390 to ~~7825.3000~~ 7825.2920 are applicable to all classes of public utilities.

Provisions for automatic adjustment of charges must encompass:

A. [Unchanged.]

B. Changes in cost resulting from changes in the ~~federally-regulated-wholesale-rate~~ commodity-delivered gas cost and demand-delivered gas cost for purchased gas and changes in the cost of fuel consumed in the manufacture of gas or peak shaving gas volumes. This provision is entitled purchased gas adjustment.

7825.2600 ELECTRIC ENERGY ADJUSTMENT.

Subpart 1. **Computation generally.** The computations of the automatic adjustment to charges must conform to the procedures set forth ~~below~~ in this part.

The amount of the billing period adjustment to charges must be determined by extending ~~Kwh of~~ kilowatt-hour sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **Adjustment per Kwh.** The adjustment per Kwh is the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base electric cost per Kwh~~, except that upon commission approval~~. However, a utility that purchases at least 75 percent of its annual total Kwh sales may also separately add, upon commission approval, an additional adjustment per Kwh equal to the difference between the purchased demand cost and the base electric cost of purchased demand. This purchased demand cost adjustment is to be computed annually for the previous year less the demand base electric cost per Kwh.

Subp. 3. **When adjustments calculated, applied.** The adjustment to charges must be made in the next complete billing

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period succeeding the determination of the adjustment per Kwh, provided the adjustment has been filed as defined by part 7825.2900~~, subpart 1~~. The adjustment factor must be calculated monthly. ~~Except, upon commission approval~~ However, a self-billing utility may calculate the adjustment less frequently, upon commission approval but at least annually, and shall provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount must be rounded such that the projected recovery is within two percent of the change in total cost.

7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

Subpart 1. **Computation generally.** The computation of the automatic adjustment of charges must conform to the procedures set forth ~~below~~ in this part.

The amount of the billing period adjustment to charges must be determined by ~~extending~~ applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period ~~by an adjustment per Mcf, Ccf, or Btu~~. The adjustment per Mcf, Ccf, or Btu or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **New base gas cost.** A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost includes a commodity base cost and a demand base cost. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

Subp. 3. **Adjustment per Mcf, Ccf, or Btu.** The adjustment per Mcf, Ccf, or Btu is the sum of the commodity adjustment, demand adjustment, peak shaving gas adjustment, ~~and~~ manufactured gas adjustment ~~as computed below~~, and true-up adjustment. The adjustment per Mcf, Ccf, or Btu must be applied to billings

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whenever the change in commodity-delivered gas cost and demand-delivered gas cost exceeds $0.03 per 1,000,000 Btu's. Subject to commission approval, a gas utility may include in its rate schedules a provision to apply an automatic adjustment of charges to billings on a more frequent basis to reflect changes in the commodity-delivered gas cost or in the demand-delivered gas cost. If there has been no automatic adjustment of charges for three months, the adjustment must be made three months from the date of the last adjustment. Adjustments must be filed under part 7825.2910.

~~A.~~ Subp. 4. **Commodity adjustment.** The commodity adjustment is the ~~difference between~~ change in the commodity ~~cost~~ rate which results from a ~~change in~~ difference between the ~~city-gate rate~~ commodity-delivered gas cost and the commodity base cost. To properly reflect adjustment per Mcf, Ccf, or Btu billed, the divisor for a particular class of customer must include total sales volume forecasted to be delivered to that class of customer over a budgeted 12-month period. ~~The adjustment must be applied to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by part 7825.2900, subpart 1.~~

~~B.~~ Subp. 5. **Demand adjustment.** The demand adjustment is the ~~difference between~~ change in the annual demand ~~cost~~ rate which results from a ~~change in~~ difference between the ~~city-gate rate~~ demand-delivered gas cost and the demand base cost. In the event the ~~demand-city-gate-rate~~ demand-delivered gas cost does not change, the demand adjustment must be recalculated for each 12-month period from the date of the last change. The adjustment must be computed using test year demand volumes for three years after the end of the utility's most recent general rate case test year. After this time period, the demand adjustment must be computed on the basis of annual demand ~~sales~~ volume ~~and applied to billings after the effective date of the demand rate change provided the adjustment has been filed as defined by part 7825.2900, subpart 1.~~

~~C.~~ If a customer class is billed separately for demand, the

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demand adjustment must be computed on the basis of the demand component of the rate for that class and applied to the demand charge.

Subd. 6. **Peak shaving and manufactured gas adjustment.** The peak shaving adjustment or the manufactured gas adjustment is the difference between the cost of propane or fuel consumed in the manufacture of gas during the heating season and the peak shaving or manufactured gas base cost. The peak shaving or manufactured gas adjustment must be computed annually ~~for the heating season ending April 30 of each year~~ on the basis of forecasted firm annual sales volume, adjusted to the extent peak shaving gas or manufactured gas is used to serve interruptible customers~~.~~; and to that extent the cost of peak shaving gas or manufactured gas must be applied to interruptible customers. The adjustment must be applied to billings during the next 12-month period commencing on ~~June~~ September 1 of each year provided the adjustment has been filed ~~as defined by~~ under part ~~7825.2900, subpart 1~~ 7825.2910.

Subp. 7. **True-up amount.** The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

Subp. 8. **Refunds.** Refunds and interest ~~thereon~~ on the refunds, that are received from the suppliers or transporters of purchased gas ~~that are~~ and attributable to the cost of gas previously sold, must be annually refunded by credits to bills ~~or check within a period not to exceed 90 days from the date the refund is received from a supplier, provided the refund amount per customer is equal to or greater than five cents. Upon approval of the commission, refunds of less than five cents~~

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~~per-customer-may-be-retained-by-the-utility-and-separately accounted-for-until-such-time-as-the-balance,-together-with additional-supplier-refunds,-produces-a-refund-of-five-cents-or more-per-customer.--Refunds-must-be-made-to-each-customer-class on-the-same-basis-as-previously-charged-to-customers.--If-a supplier-refund-cannot-be-accurately-distributed-to-customers because-of-seasonal-usage-patterns,-then-upon-commission approval,-refunding-may-be-delayed-for-a-period-of-up-to-12 months~~, except that cumulative refund amounts equal to or greater than $5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

All public utilities shall file annually on September 1 of each year the procurement policies for selecting sources of fuel and energy purchased, dispatching policies, if applicable, and a summary of actions taken to minimize cost including conservation actions for gas utilities.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

Subpart 1. **Gas and electric utilities.** By September 1 of each year, ~~all~~ gas and electric utilities shall submit to the commission an annual reporting by month of ~~all~~ automatic adjustment charges for each customer class for the ~~prior~~ previous year commencing July 1 and ending June 30. This report must include:

A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4 or 4a;

B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas by major component, peak shaving gas, or manufactured gas;

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C. [Unchanged.]

D. the total cost of fuel or gas delivered to customers including, for gas utilities, the cost of supply-related services;

E. to G. [Unchanged.]

Subp. 2. **Additional information from gas utilities.** In addition to the requirements in subpart 1, gas utilities are required to report:

A. purchased gas adjustment rule variances in effect or requested during the 12-month reporting period and reasons why those variances were necessary;

B. changes in demand contracted for during the reporting period and reasons for those revisions;

C. the level of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting period; and

D. a brief explanation of deviations between gas cost recovery and actual gas cost during the reporting period.

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, ~~all gas and~~ electric utilities shall submit to the commission a five-year projection of fuel ~~and gas~~ costs by energy source by month for the first two years and on an annual basis thereafter.

By September 1 of each year, each gas utility shall submit to the commission a brief statement of its opinion on the impact of market forces on gas costs for the coming year.

FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

7825.2900 ~~FILE UPON CHANGE OF AUTOMATIC ADJUSTMENT OF CHARGES~~ FILING BY ELECTRIC UTILITIES.

Subpart 1. **Filing required.** ~~Whenever a public~~ When an electric utility changes its automatic adjustment of charges, the utility ~~shall prior to~~, before the effective date of the change, shall file ~~the following~~:

A. a summary of the computation of the adjustment~~.~~;

B. an explanation of significant changes between the

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base cost and current cost. ~~Changes for electric utilities shall be~~ quantified as to price, mix, thermal efficiency, and distribution loss. ~~Changes for gas utilities shall be quantified as to price and mix changes.~~; and

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

Subp. 2. to 4. [See Repealer.]

7825.2910 FILING BY GAS UTILITIES.

Subpart 1. **Monthly reports.** Gas utilities shall submit monthly to the department purchased gas adjustment reports, which must include:

A. a summary of adjustments that were implemented in the previous month and the computation of each adjustment;

B. an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

C. the estimated previous month's and year-to-date commodity-delivered gas cost by supplier;

D. estimated gas volumes purchased from suppliers whose gas rates are not regulated by the Federal Energy Regulatory Commission; and

E. estimated costs of gas purchased in item D expressed as a percentage of all commodity-delivered gas costs and demand-delivered gas costs.

The department shall summarize the monthly reports every three months and submit the summary to the commission for review.

Subp. 2. **Filing upon change in demand.** Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

A. a description of the factors contributing to the need for changing demand;

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B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

Subp. 3. **Notice.** A gas utility shall provide notice to the intervenors in its previous two general rate cases of the availability of the change in demand filing when it submits the filing to the department.

Subp. 4. **True-up filing.** Gas utilities shall file and implement on September 1 of each year the true-up adjustment computed under part 7825.2700, subpart 7, for the previous year commencing July 1 and ending June 30.

7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

Subpart 1. **Approval.** Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.

Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if (1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

Subp. 3. **Commission action.** The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current levels, discontinue, or modify an automatic adjustment provision for an individual utility.

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IMPLEMENTATION. Existing variances to parts 7825.2500, 7825.2700, 7825.2810, and 7825.2900 in effect on the effective date of these amendments to parts 7825.2390 to 7825.3000, are modified to eliminate conflicts with parts 7825.2390 to 7825.2920, as amended, on and after the effective date of these amendments.

INSTRUCTION TO REVISOR. The revisor of statutes shall change the term "7825.3000" to "7825.2920" in part 7825.3100, subpart 9, in the next and subsequent editions and supplements of Minnesota Rules.

REPEALER. Minnesota Rules, parts 7825.2400, subparts 6 and 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Purchase Gas Adjustment Changes

AGENCY: Public Utilities Commission

MINNESOTA RULES: Chapter 7825

The attached rules are approved for publication in the State Register

Ron Ray
Assistant Revisor

(47)

MINNESOTA PUBLIC UTILITIES COMMISSION

March 24, 1989

Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000, Docket No. G-999/R-85-789.

Notice of Intent to Adopt Rules Without a Public Hearing

Notice is hereby given that the Minnesota Public Utilities Commission (Commission) intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minn. Stat. section 14.22 to 14.28 (1988). The Commission's authority to adopt the rule is set forth in Minn. Stat. sections 216B.08 and 216B.16, subd. 7 (1988).

All persons have until 4:30 p.m. on April 26, 1989, to submit comments in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed. PLEASE USE DOCKET NO. G-999/R-85-789 ON ALL CORRESPONDENCE.

Any person may make a written request for a public hearing on the rules within the comment period. If 25 or more persons submit a written request for a public hearing within the comment period, a public hearing will be held unless a sufficient number withdraw their requests in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. If a public hearing is required, the Commission will proceed pursuant to Minn. Stat. sections 14.131 to 14.20 (1988).

Comments or written requests for a public hearing must be submitted to:

Caroline Heil
Minnesota Public Utilities Commission
780 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101
(612) 296-9617

The proposed rules may be modified if the modifications are supported by data and views submitted to the Commission and do not result in a substantial change in the proposed rule as noticed.

AMERICAN CENTER BUILDING • KELLOGG AND ROBERT STS • SAINT PAUL, MN 55101

The proposed rules, if adopted, will amend the current rules governing purchased gas adjustments for gas utilities. Electric utilities are not affected by the proposed rules. A copy of the proposed rules is enclosed. One free copy of the rules is available upon request from the Commission by contacting the Commission's receptionist, Kris Kline, at the above address or by calling (612) 296-7124.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules and identifies the data and information relied upon to support the proposed rules has been prepared and is available upon request from the Commission by contacting the Commission's receptionist, Kris Kline, at the above address or by calling (612) 296-7124.

Your are hereby advised, pursuant to Minn. Stat. section 14.115 (1988), "Small business considerations in rulemaking," that the proposed rules may effect small businesses. The proposed rules require small gas utilities to submit compliance and reporting information so that the Commission can determine whether the utilities have calculated the purchased gas adjustments in the manner set out by the rules.

The adoption of these rules by the Commission will not require the expenditure of public money by local public bodies nor have a direct impact on agricultural land. Therefore, Minn. Stat. section 14.11 (1988) is not applicable to this rulemaking proceeding.

If no hearing is required, upon adoption of the rules, the rules and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the rule submitted to the Attorney General, must submit a written request to Caroline Heil at the above address.

Mary Ellen Hennen
Executive Secretary

Public Utilities Commission

Proposed Permanent Rules Relating to Purchase Gas Adjustment Charges

Rules as Proposed

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Subpart 1. **Computation generally.** The computations of the automatic adjustment to charges must conform to the procedures set forth ~~below~~ in this part.

The amount of the billing period adjustment to charges must be determined by extending ~~Kwh of~~ kilowatt-hour sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **Adjustment per Kwh.** The adjustment per Kwh is the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base electric cost per Kwh~~, except that upon commission approval~~. However, a utility that purchases at least 75 percent of its annual total Kwh sales may also separately add, upon commission approval, an additional adjustment per Kwh equal to the difference between the purchased demand cost and the base electric cost of purchased demand. This purchased demand cost adjustment is to be computed annually for the previous year less the demand base electric cost per Kwh.

Subp. 3. **When adjustments calculated, applied.** The adjustment to charges must be made in the next complete billing

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period succeeding the determination of the adjustment per Kwh, provided the adjustment has been filed as defined by part 7825.2900~~, subpart 1~~. The adjustment factor must be calculated monthly. ~~Except, upon commission approval~~ However, a self-billing utility may calculate the adjustment less frequently, upon commission approval but at least annually, and shall provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount must be rounded such that the projected recovery is within two percent of the change in total cost.

7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

Subpart 1. **Computation generally.** The computation of the automatic adjustment of charges must conform to the procedures set forth ~~below~~ in this part.

The amount of the billing period adjustment to charges must be determined by ~~extending~~ applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period ~~by an adjustment per Mcf, Ccf, or Btu~~. The adjustment per Mcf, Ccf, or Btu or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **New base gas cost.** A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost includes a commodity base cost and a demand base cost. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

Subp. 3. **Adjustment per Mcf, Ccf, or Btu.** The adjustment per Mcf, Ccf, or Btu is the sum of the commodity adjustment, demand adjustment, peak shaving gas adjustment, ~~and~~ manufactured gas adjustment ~~as computed below~~, and true-up adjustment. The adjustment per Mcf, Ccf, or Btu must be applied to billings

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whenever the change in commodity-delivered gas cost and demand-delivered gas cost exceeds $0.03 per 1,000,000 Btu's. Subject to commission approval, a gas utility may include in its rate schedules a provision to apply an automatic adjustment of charges to billings on a more frequent basis to reflect changes in the commodity-delivered gas cost or in the demand-delivered gas cost. If there has been no automatic adjustment of charges for three months, the adjustment must be made three months from the date of the last adjustment. Adjustments must be filed under part 7825.2910.

~~A.~~ Subp. 4. **Commodity adjustment.** The commodity adjustment is the ~~difference between~~ change in the commodity ~~cost~~ rate which results from a ~~change in~~ difference between the ~~city-gate rate~~ commodity-delivered gas cost and the commodity base cost. To properly reflect adjustment per Mcf, Ccf, or Btu billed, the divisor for a particular class of customer must include total sales volume forecasted to be delivered to that class of customer over a budgeted 12-month period. ~~The adjustment must be applied to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by part 7825.2900, subpart 1.~~

~~B.~~ Subp. 5. **Demand adjustment.** The demand adjustment is the ~~difference between~~ change in the annual demand ~~cost~~ rate which results from a ~~change in~~ difference between the ~~city-gate rate~~ demand-delivered gas cost and the demand base cost. In the event the ~~demand city-gate rate~~ demand-delivered gas cost does not change, the demand adjustment must be recalculated for each 12-month period from the date of the last change. The adjustment must be computed using test year demand volumes for three years after the end of the utility's most recent general rate case test year. After this time period, the demand adjustment must be computed on the basis of annual demand ~~sales~~ volume ~~and applied to billings after the effective date of the demand rate change provided the adjustment has been filed as defined by part 7825.2900, subpart 1.~~

~~C.~~ If a customer class is billed separately for demand, the

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demand adjustment must be computed on the basis of the demand component of the rate for that class and applied to the demand charge.

Subd. 6. **Peak shaving and manufactured gas adjustment.** The peak shaving adjustment or the manufactured gas adjustment is the difference between the cost of propane or fuel consumed in the manufacture of gas during the heating season and the peak shaving or manufactured gas base cost. The peak shaving or manufactured gas adjustment must be computed annually ~~for the heating season ending April 30 of each year~~ on the basis of forecasted firm annual sales volume, adjusted to the extent peak shaving gas or manufactured gas is used to serve interruptible customers~~.~~; and to that extent the cost of peak shaving gas or manufactured gas must be applied to interruptible customers. The adjustment must be applied to billings during the next 12-month period commencing on ~~June~~ September 1 of each year provided the adjustment has been filed ~~as defined by~~ under part ~~7825.2900, subpart 1~~ 7825.2910.

Subp. 7. **True-up amount.** The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

Subp. 8. **Refunds.** Refunds and interest ~~thereon~~ on the refunds, that are received from the suppliers or transporters of purchased gas ~~that are~~ and attributable to the cost of gas previously sold, must be annually refunded by credits to bills ~~or check within a period not to exceed 90 days from the date the refund is received from a supplier, provided the refund amount per customer is equal to or greater than five cents. Upon approval of the commission, refunds of less than five cents~~

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~~per-customer-may-be-retained-by-the-utility-and-separately accounted-for-until-such-time-as-the-balance,-together-with additional-supplier-refunds,-produces-a-refund-of-five-cents-or more-per-customer.--Refunds-must-be-made-to-each-customer-class on-the-same-basis-as-previously-charged-to-customers.--If-a supplier-refund-cannot-be-accurately-distributed-to-customers because-of-seasonal-usage-patterns,-then-upon-commission approval,-refunding-may-be-delayed-for-a-period-of-up-to-12 months~~, except that cumulative refund amounts equal to or greater than $5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

All public utilities shall file annually on September 1 of each year the procurement policies for selecting sources of fuel and energy purchased, dispatching policies, if applicable, and a summary of actions taken to minimize cost including conservation actions for gas utilities.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

Subpart 1. **Gas and electric utilities.** By September 1 of each year, ~~all~~ gas and electric utilities shall submit to the commission an annual reporting by month of ~~all~~ automatic adjustment charges for each customer class for the ~~prior~~ previous year commencing July 1 and ending June 30. This report must include:

A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4 or 4a;

B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas by major component, peak shaving gas, or manufactured gas;

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C. [Unchanged.]

D. the total cost of fuel or gas delivered to customers including, for gas utilities, the cost of supply-related services;

E. to G. [Unchanged.]

Subp. 2. **Additional information from gas utilities.** In addition to the requirements in subpart 1, gas utilities are required to report:

A. purchased gas adjustment rule variances in effect or requested during the 12-month reporting period and reasons why those variances were necessary;

B. changes in demand contracted for during the reporting period and reasons for those revisions;

C. the level of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting period; and

D. a brief explanation of deviations between gas cost recovery and actual gas cost during the reporting period.

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, ~~all gas and~~ electric utilities shall submit to the commission a five-year projection of fuel ~~and gas~~ costs by energy source by month for the first two years and on an annual basis thereafter.

By September 1 of each year, each gas utility shall submit to the commission a brief statement of its opinion on the impact of market forces on gas costs for the coming year.

FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

7825.2900 ~~FILE UPON CHANGE OF AUTOMATIC ADJUSTMENT OF CHARGES~~ FILING BY ELECTRIC UTILITIES.

Subpart 1. **Filing required.** ~~Whenever a public~~ When an electric utility changes its automatic adjustment of charges, the utility ~~shall prior to~~, before the effective date of the change, shall file ~~the following~~:

A. a summary of the computation of the adjustment~~.~~;

B. an explanation of significant changes between the

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base cost and current cost. ~~Changes for electric utilities shall be~~ quantified as to price, mix, thermal efficiency, and distribution loss. ~~Changes for gas utilities shall be quantified as to price and mix changes.~~; and

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

Subp. 2. to 4. [See Repealer.]

7825.2910 FILING BY GAS UTILITIES.

Subpart 1. **Monthly reports.** Gas utilities shall submit monthly to the department purchased gas adjustment reports, which must include:

A. a summary of adjustments that were implemented in the previous month and the computation of each adjustment;

B. an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

C. the estimated previous month's and year-to-date commodity-delivered gas cost by supplier;

D. estimated gas volumes purchased from suppliers whose gas rates are not regulated by the Federal Energy Regulatory Commission; and

E. estimated costs of gas purchased in item D expressed as a percentage of all commodity-delivered gas costs and demand-delivered gas costs.

The department shall summarize the monthly reports every three months and submit the summary to the commission for review.

Subp. 2. **Filing upon change in demand.** Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

A. a description of the factors contributing to the need for changing demand;

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B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

Subp. 3. **Notice.** A gas utility shall provide notice to the intervenors in its previous two general rate cases of the availability of the change in demand filing when it submits the filing to the department.

Subp. 4. **True-up filing.** Gas utilities shall file and implement on September 1 of each year the true-up adjustment computed under part 7825.2700, subpart 7, for the previous year commencing July 1 and ending June 30.

7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

Subpart 1. **Approval.** Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.

Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if (1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

Subp. 3. **Commission action.** The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current levels, discontinue, or modify an automatic adjustment provision for an individual utility.

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IMPLEMENTATION. Existing variances to parts 7825.2500, 7825.2700, 7825.2810, and 7825.2900 in effect on the effective date of these amendments to parts 7825.2390 to 7825.3000, are modified to eliminate conflicts with parts 7825.2390 to 7825.2920, as amended, on and after the effective date of these amendments.

INSTRUCTION TO REVISOR. The revisor of statutes shall change the term "7825.3000" to "7825.2920" in part 7825.3100, subpart 9, in the next and subsequent editions and supplements of Minnesota Rules.

REPEALER. Minnesota Rules, parts 7825.2400, subparts 6 and 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.

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STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

In the Matter of the Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000.

DOCKET NO. G-999/R-85-789

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING

STATE OF MINNESOTA)
) ss.LIST
COUNTY OF RAMSEY)

Johnene Bednarek, being duly sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minn. Stat. sections 14.14, subd. 1a and 14.22 (1988) that their names be placed on the Minnesota Public Utilities Commission's rulemaking mailing list is accurate, complete, and current as of this 24th day of March, 1989.

That on the 24th day of March, 1989, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Intent to Adopt Rules Without a Public Hearing by depositing in the State of Minnesota Central Mail System for United States Mail or in the United States mail a copy thereof, with postage prepaid, to all persons and associations on the aforementioned mailing list.

Johnene Bednarek

Subscribed and sworn to before me
this 24th day of March, 1989.

Sharon L. Juen
Notary Public

SHARON L. JUEN
NOTARY PUBLIC—MINNESOTA
WASHINGTON COUNTY
MY COMM. EXPIRES JAN. 19, 1991

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Docket No. G999/R-85-789

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DEPT. OF PUBLIC SERVICE

STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

In the Matter of the Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000.

ISSUE DATE: March 7, 1989

DOCKET NO. G-999/R-85-789

STATEMENT OF NEED AND REASONABLENESS

I. INTRODUCTION

The Minnesota Public Utilities Commission's (Commission's) permanent rules governing Automatic Adjustment of Charges, and specifically governing the Purchased Gas Adjustment (PGA) for gas utilities, are currently in effect. See Minn. Rules, parts 7825.2390 to 7825.3000. The PGA is a means by which regulated gas utilities may adjust for increases and decreases in the cost of gas delivered to customers that are different from those costs authorized by the Commission in the utility's most recent general rate case. Under the Commission's rules, gas utilities may automatically adjust gas rates in response to changes in the federally regulated wholesale rate for gas.

The Commission proposes to amend its Automatic Adjustment Rules. The proposed amendments, however, will only affect the PGA and gas utilities. There is no proposed change in the Electric Energy Adjustment or effect on electric utilities at this time.

On October 9, 1985, the Federal Energy Regulatory Commission (FERC) issued its Final Rule, Order No. 436. In this order, the FERC determined that an interstate natural gas pipeline which offers to provide carriage of natural gas on behalf of any customer must provide such services on a non-discriminatory basis to all customers. As a result, local natural gas distribution companies (LDC's), such as Northern States Power Company, now have the opportunity to purchase natural gas directly from producers and require a natural gas pipeline to deliver that gas to the LDC distribution system. Furthermore, large end-users of gas could purchase gas directly from producers and contract with LDC's to transport that gas through their system. The intent of Order 436 is to extend the benefits of competition among natural gas producers to the captive monopoly customers of the LDC's. Subsequent to this, the FERC issued its Interim Rule, Order 500, which addressed deficiencies in Order 436 concerning take-or-pay crediting procedures.

In 1986, Northern Natural Gas Company, the major pipeline serving Minnesota, opened its system for non-discriminatory transportation, enabling Minnesota gas utilities to purchase unregulated gas to supplement or replace existing system supply. As a result of this, Minn. Stat. section 216B.16, subdivision 7 (1988) was amended to give a gas utility authority to automatically adjust rates in direct relation to changes in direct cost for natural gas delivered.

However, current PGA rules only allow gas utilities to pass through costs associated with changes in the price of federally regulated gas. The Commission has granted rule variances to allow gas utilities to treat unregulated gas purchases as they do regulated gas purchases. (See Docket Nos. G-008/M-86-511, G-002/M-86-675, and G-011/M-86-690.) Because these variances have addressed problems that exist in the current rules, the Commission proposes to amend the existing rules.

The Commission began the process of amending its PGA rules by soliciting outside comment on November 8, 1985. The Commission received many outside comments and carefully considered the suggestions received in the comments. Additional outside comments were solicited on January 5, 1988. On January 15, 1988, the Commission invited interested parties to serve on an Advisory Task Force to draft proposed amendments to the PGA rules. The Advisory Task Force included representatives from the affected utilities, the Department of Public Service (DPS), the Office of the Attorney General (OAG), Minnesota Citizens Organizations Acting Together (COACT), and a large volume user. Discussion was facilitated by members of the Commission staff. The Commission reviewed the draft rule amendments, finds them to be reasonable, and proposes them for adoption.

II. STATEMENT OF COMMISSION'S STATUTORY AUTHORITY

The Commission's statutory authority to adopt these rules is set forth in Minn. Stat. Ch. 216B (1988), governing gas and electric utilities. Specifically, Minn. Stat. sections 216B.08, 216B.03, 216B.05, and 216B.16, subd. 7 (1988) provide:

> 216B.08 DUTIES OF THE COMMISSION
>
> The Commission is hereby vested with the powers, rights, functions, and jurisdiction to regulate in accordance with the provisions of Laws 1974, chapter 429 every public utility as defined herein. The exercise of such powers, rights, functions, and jurisdiction is

prescribed as a duty of the Commission. The Commission is authorized to make rules in furtherance of the purposes of Laws 1974, chapter 429.

216B.03 REASONABLE RATE

Every rate made, demanded or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial or discriminatory, but shall be sufficient, equitable and consistent in application to a class of customers. To the maximum reasonable extent, the Commission shall set rates to encourage energy conservation and renewable energy use and to further the goals of sections 116J.05, 216B.164, and 216B.241. Any doubt as to reasonableness should be resolved in favor of the consumer. For rate making purposes a public utility may treat two or more municipalities served by it as a single class wherever the populations are comparable in size or the conditions of service are similar.

216B.05 PUBLISH SCHEDULES; RULES; FILES; JOINT RATES

Subdivision 1. Every public utility shall file with the commission schedules showing all rates, tolls, tariffs, and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

Subd. 2. Every public utility shall file with and as part of the schedule all rules that, in the judgement of the commission, in any manner affect the service or product, or the rates charged or to be charged for any service or product, as well as any contracts, agreements, or arrangements relating to the service or product or the rates to be charged for any service or product to which the schedule is applicable as the Commission may by general or special order direct.

Subd. 3. Every public utility shall keep copies of the schedules open to public inspection under rules as the commission may prescribe.

216B.16 RATE CHANGES; PROCEDURE; HEARING.

Subdivision 7. **Energy cost adjustments.** Notwithstanding any other provision of this chapter, the Commission may permit a public utility to file rate

schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to changes in: (1) federally regulated wholesale rates for energy delivered through interstate facilities; (2) direct costs for natural gas delivered; or (3) costs for fuel used in generation of electricity or the manufacture of gas.

Under these statutes the Commission has the necessary statutory authority to adopt the proposed rules. Minn. Stat. section 216B.08 (1988) grants the Commission authority to promulgate rules governing certain gas and electric utilities. Minn. Stat. sections 216B.03 and 216B.05 (1988) require that rates charged by these utilities be fair and reasonable, and that these rates be filed with the Commission. Minn. Stat. section 216B.16, subd. 7 (1988) provides for the automatic adjustment of charges for direct cost of natural gas delivered. The proposed rules are intended to enable the Commission to carry out its duties under these statutes.

III. STATEMENT OF NEED

Minn. Stat. Ch. 14 (1988) requires the Commission to make an affirmative presentation of facts establishing the need for and reasonableness of the rules as proposed. In general terms, this means that the Commission must set forth the reasons for its proposal, and the reasons must not be arbitrary or capricious.

However, to the extent that need and reasonableness are separate, need has come to mean that a problem exists which requires administrative attention, and reasonableness means that the solution proposed by the Commission is appropriate. The need for the rules is discussed below.

The proposed rule amendments are intended to make the rules consistent with FERC Orders No. 436 and No. 500 and Minn. Stat. section 216B.16, subd. 7 (1988). The amendments cover two main areas: the actual computation of the automatic adjustment to allow gas utilities to recover gas costs from customers, and the additional filing requirements needed for the Commission to ensure sufficient regulatory oversight over unregulated gas purchases.

The PGA can, under the current rules, only be adjusted in response to a change in the federally regulated wholesale rate for natural gas. However, under federal and state law, Minnesota LDC's can now contract to purchase some or all of their gas supply from unregulated producers and transport that supply to local distribution systems through interstate pipelines. Because the cost of unregulated gas differs from the federally regulated

wholesale rate and the LDC must also contract to transport its unregulated purchases, LDC's are at risk for over- or under-recovery of actual gas costs if they are purchasing unregulated gas. This is detrimental to the LDC's customers, as they are unable to benefit from the pass-through of cost savings when an LDC purchases cheaper, unregulated gas.

Over the past year, the Commission has granted variances to the PGA rules to comply with federal and state law and allow for the pass-through of actual gas costs to six of eight shareholder-owned gas utilities in the state. These variances were granted for one-year periods and will have to be refiled if the rules are not amended. The filing of variances on an individual utility basis has created a hardship for the Commission, the DPS, and the utilities.

To change the PGA to pass through unregulated gas costs will require procedural changes in calculating the adjustment of rates. The cost of gas will change more frequently for utilities; in some cases several times each month as utilities alter their mix of regulated and unregulated gas to achieve the most favorable gas price possible. It would be costly, time-consuming and confusing to customers to change rates every time the utility's gas cost changes. Procedures must be changed to provide utilities with an orderly process for making adjustments, yet ensure that costs are not over- or under-recovered through billings to customers.

In changing the PGA to pass through unregulated gas costs, the Commission will require additional information in both the automatic adjustment filings and the annual report. The information required includes costs and levels of unregulated gas purchases by month and cumulatively; any variances to the PGA rules in effect or requested; and any changes in demand level. This information will enable the Commission and the DPS to monitor the utility's purchases of unregulated gas and investigate any appearance or allegation of imprudence on the part of the utility. Monitoring is necessary because gas utilities will be purchasing from unregulated producers. Unregulated gas costs are currently lower than regulated gas, but in a period of restricted supply market forces may drive the price above that of regulated gas. It is important for the Commission to closely monitor unregulated gas purchases to protect the ratepayer's interest and ensure that costs being passed through to customers are reasonable.

Based on the foregoing discussion and the reasons given therein, the proposed PGA rule amendments are needed.

IV. STATEMENT OF REASONABLENESS

The Commission is required by Minn. Stat. Ch. 14 (1988) to make an affirmative presentation of facts establishing the reasonableness of the proposed rules. Reasonableness is the opposite of arbitrariness or capriciousness. It means that there is a rational basis for the Commission's proposed action.

However, the proposed rule need not be the most reasonable solution to the situation which created the need for the rule. The proposed rule is not unreasonable simply because a more reasonable alternative exists or a better job of drafting might have been done.

Nevertheless, for the reasons given below, the Commission believes that its proposed rule is the most reasonable approach to the issue presented based on its own experience and expertise, the Task Force recommendations, and comments from interested parties.

A. Reasonableness of the Rules as a Whole

The overall approach taken by the Commission to solve the problems described above has been to use the solutions that have worked well in the past or are a balancing of the affected parties' interests. For instance, the computation and timing of the PGA have been successfully worked out through rule variances granted to individual gas utilities over the past year.

The rule amendments in the computation of the PGA to include unregulated gas purchases and associated costs involved to bring those purchases to the city gate, and anticipated more frequent filings for adjustment, makes it reasonable for the Commission to require additional information to adequately monitor the performance of gas utilities in gas purchasing. As gas purchasing is no longer restricted to federally regulated wholesale rates, the Commission must take more of the regulatory burden upon themselves to ensure that gas utilities are making appropriate purchasing decisions. There is no other way for the Commission to do this but to require detailed information from the utilities regarding purchasing practices. Therefore, the rule amendments were chosen by the Commission because they are satisfactory solutions or equitable resolutions to the problems created by the current PGA rules.

B. Reasonableness of Individual Rules

The following discussion addresses the specific provisions of the proposed rules.

Part 7825.2390 PURPOSE.

The editorial changes to this part are designed to clarify the language and to make the purpose a useful explanation of the PGA. These changes are reasonable because they do not change the basic meaning of the rule part, they simply make it more clear.

The Commission further proposes to amend this rule part to eliminate the requirement that proposed energy cost adjustment be submitted before billing to the DPS. Prior to the availability of unregulated gas, the FERC allowed gas costs to change only a few times each year, with advance notice; making this requirement administratively reasonable for the gas utilities. Current experience indicates that large changes in the pipeline rates can occur with very little notice. The gas utilities will remain better reconciled with their customers if they are able to pass these changes on immediately, with approval contingent upon proper filing as provided for in proposed part 7825.2920, subpart 1. Furthermore, other amendments to the PGA rules enable a gas utility to make several adjustments during a month, with only one monthly filing required to explain those adjustments. (See proposed part 7825.2910, subpart 1, item A.) This change is consistent with those amendments and serves to protect the utilities' customers. It is therefore reasonable to make this amendment.

The elimination of this requirement will not affect electric utilities. Parts 7825.2600 and 7825.2900, which outline the requirements for the Electric Energy Adjustment, specifically state when the adjustment must be calculated and filed with the DPS. The purpose section of the rules is consistent with these rule parts. Therefore, removing the phrase "before billing" does not change what the electric utilities are required to do under the current rules.

Finally, a sentence has been added to the purpose section of the rules. The sentence states that "when a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal is considered a change in rates and must be reviewed according to commission rules and practices relating to utility rate changes". This language currently appears in part 7825.3000 of the rules, the existing section on implementation. The current implementation section has been amended to reflect the proposed changes to the rules. In reviewing the implementation section, it became apparent that the sentence concerning rate changes more logically belonged in the purpose section since the purpose section similarly refers to one type of rate changes, general rate changes. Therefore, this amendment is reasonable because it results in a more coherent rule.

Part 7825.2400 DEFINITIONS.

The Commission proposes to amend this rule by modifying or eliminating several definitions, and adding four new definitions. All modifications are intended to clarify the rules and provide guidance to the user.

Subpart 1, the scope subpart, has been amended by the Office of the Revisor of Statutes to conform to the appropriate language used by that office. Subpart 1 has also been amended to reflect the changes in rule part numbers that result from the proposed rules.

Subpart 2 is modified to eliminate the words "of the 14 month period". This amendment is intended to simplify language. The phrase "most recent 12 months of the 14 month period" is simply the most recent 12 months; the 14 month period carries no significance with the gas utilities for purposes of calculating their annual sales volume. It is therefore reasonable to eliminate this portion of the phrase and simplify the definition. This definition is further amended to change the term "city gate rate" to "demand delivered gas cost". This change reflects the elimination of the use "city gate rate" from these rules and the substitution of "demand delivered gas cost" in part 7825.2400, proposed subpart 13b. The reasons for this change are discussed under those parts.

Also in subpart 2, the Commission proposes the elimination of the words "or end of the heating season" in calculating the annual sales volume. The alternative of "end of the heating season" is no longer necessary because under the proposed rules the utilities will update their annual sales volume each time the delivered demand gas cost changes. By requiring them to update annual sales volume each time, it will ensure that all PGA filings are uniform and will be easier for the DPS to process and compare.

The third definition, in subpart 3, eliminates the word "sales" from "Annual demand sales volume". The definition as previously written can be easily confused with subpart 2, "Annual sales volume". "Annual demand volume" is more commonly used in the industry and is therefore more understandable.

The next modification, in subpart 4 and proposed subpart 4a, splits the definition of base cost into base <u>electric</u> cost and base <u>gas</u> cost. This is reasonable because it clarifies the use of "base cost" in both the automatic electric adjustment and the PGA. The substance of both definitions remains the same.

Four new definitions have been added to the definition section. Proposed subparts 5a, 6a, 15a, and 15b define abbreviations used

throughout the existing and proposed rules. "Btu" means British thermal unit; "Ccf" means 100 cubic feet; "Kwh" means kilowatt-hour; and "Mcf" means 1,000 cubic feet. These definitions are standard terms that are commonly known and understood in the industry. Adding them to the proposed rules is reasonable because it results in a clearer, more readable and comprehensive rule, especially for those who are not familiar with these terms.

Two other clarifying definitions have been added to the proposed rules. Subparts 6b and 13C define "Commission" and "Department". These terms are used extensively in the existing and proposed rules. For participants and readers new to energy adjustments, these definitions make it clear who the actors are in the process.

The next modification is to eliminate the current subpart 6, "City gate rate" and create two new definitions, proposed subpart 6d, "Commodity delivered gas cost" and proposed subpart 13b, "Demand delivered gas cost". The current definition refers only to the cost of gas itself, which under federally regulated wholesale rates includes costs incurred to bring the gas to the city gate. In purchasing unregulated gas, utilities must contract for other costs, such as gathering, transportation, and storage. Under the current definition, gas utilities are unable to pass these costs through to customers. Gas utilities can realize significant savings by purchasing non-regulated gas supply and supply-related services. The proposed new definitions allow for the pass-through of these gas costs. This is reasonable because it will allow gas utilities to take advantage of lower-cost unregulated gas and services and pass their savings on to the customer. Moreover, Minn. Stat. section 216B.16, subd. 7 (1988) allows gas utilities to pass through the "direct" costs for natural gas delivered. The costs allowed in these rule amendments are direct costs and are therefore reasonable.

The reason for splitting this definition into two parts is to make it clear that there are two components (commodity and demand) to delivered gas cost and that certain kinds of costs are included in one part or the other. Commodity costs refer to those costs which are a function of the amount of gas taken, such as the actual usage charge. Demand costs refer to costs incurred to assure a sufficient daily gas supply. This distinction clarifies the computation of the PGA in part 7825.2700, subparts 4 and 5. Previously this definition referred to commodity or demand costs and assumed that the reader understood which was being used in subsequent rule parts. This change is reasonable because it eliminates confusion in deciding which costs are included in which component when calculating the PGA.

To further clarify the difference between the commodity and demand components of gas costs, two new definitions have been added to the proposed rules. Subpart 6c defines "commodity" and

subpart 13a defines "demand". These definitions are consistent with the definitions of commodity delivered gas cost and demand delivered gas cost, described above. Commodity refers to the volume of gas delivered and demand refers to the maximum daily volumes of gas delivered and contracted for by the utility. These terms are commonly accepted and used by the industry. Adding them to the proposed rules serves to make the rules more consistent and more easily understood.

The next modification eliminates reference to "federally regulated wholesale rates" for gas in subpart 12, the cost of purchased gas. This change reflects the intention of FERC Orders 436 and 500 and Minn. Stat. section 216B.16, subd. 7 (1988), which allows gas utilities to purchase unregulated as well as regulated gas. It is reasonable because restrictions to the purchase of unregulated gas no longer exist, and therefore the cost of purchased gas should not refer to just federally regulated purchases.

New account numbers have also been added to this definition. The account numbers include the types of unregulated gas and services which utilities can currently purchase and should be allowed to pass through the PGA. The most recent version of these account numbers is found in the April 1, 1988 edition of Title 18, Part 201 of the Code of Federal Regulations. These accounts refer to the types of gas costs which are passed through. Accounts which refer to power are not passed through and, therefore, were not included in the definition.

A new subpart 13d has been added to the rules. "Design day" means a 24-hour-day period of the greatest possible gas requirement to meet firm customer needs. "Design day" is used in proposed part 7825.2910, subp. 2, Filing upon change in demand. Under that part, the gas utility's filing must include the design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision (item B). The proposed definition of "design-day" is commonly understood within the industry and, therefore, is reasonable.

This rule part is further amended to eliminate the definition in current subpart 14, "Heating season". This deletion is reasonable because other amendments to these rules have deleted any reference to heating season. This subpart has been replaced by proposed subpart 13b, "demand delivered gas cost", which is discussed above.

Two new definitions define "test year" (subpart 18) and "test year demand volume" (subpart 19) as used in the proposed rule amendments for computing the PGA demand adjustment. The definition for "test year" is used in other Commission rules and is consistent and widely known. See Minn. Rules, part 7825.3100, subpart 17, Definitions for Changes in Rates. "Test year demand

volume" is used in the context of gas utility general rate cases and is understood and accepted by utilities and regulators. These additions are reasonable because they simplify and clarify terminology throughout the rules.

Part 7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF CHARGES

This part has been amended to reflect the proposed changes in numbering. A new part 7825.2920 is proposed and the current part 7825.3000 has been proposed for repeal.

The proposed amendment to item B of this part would again remove reference to "federally regulated wholesale rate for purchased gas" and replace it with "commodity delivered gas cost and demand delivered gas cost". This is reasonable because it ensures that the PGA encompasses both regulated and unregulated gas. This change is also consistent with federal and state law and the rule definition amendments discussed above.

Part 7825.2600 ELECTRIC ENERGY ADJUSTMENT

This rule part is amended to change "base cost" to "base electric cost". This is reasonable because it clarifies which base cost is to be used to calculate the electric energy adjustment. This change is consistent with the rule definition amendments discussed above, and does not substantively amend the rules affecting electric utilities.

The Revisor's Office has made editorial changes to this rule part. As editorial changes, they do not change the substantive meaning of the rule. For instance, "subpart 1" in the description of where to find filing requirements has been deleted. Amendments to the filing requirements create a new part 7825.2900 which lists the current filing requirements for electric utilities. The remaining subparts of part 7825.2900 are being repealed and replaced by new rule parts. These amendments are reasonable because they make the rules consistent and easier to understand.

Part 7825.2700 PURCHASED GAS ADJUSTMENT

This rule part governs the calculation of the PGA. There are several proposed amendments to this part of the PGA rules. Basically, the amendments require that:

- the PGA be zeroed out and a new base gas cost established when the utility files a general rate case, and again when final rates go into effect (Subp. 2);

- automatic adjustment of charges must take place whenever the change in delivered gas cost exceeds $0.03/MMBtu, but at least once every three months. The utility may opt to adjust charges each time its gas cost changes if it provides for this in its tariff (Subp. 3);

- the adjustments be based on forecasted rather than historic volumes (Subp. 4);

- the demand charge to customers must be calculated on the basis of test-year volume until it has been three years since the utility's last general rate case, and annual demand sales volume thereafter (Subp. 5);

- the demand adjustment to demand-billed customers must be made through the demand charge rather than the commodity charge (Subp. 5);

- The peak-shaving or manufactured gas adjustment must be applied to billings on September 1, to coincide with the annual true-up (Subp. 6);

- an annual true-up or balancing account must be established to reconcile differences between actual and recovered gas costs (Subp. 7); and

- refunds must be issued annually based on the usage of customer classes during the period the refund covers. Customers within each class will be refunded on the basis of individual usage over the previous 12-month period (Subp. 8).

Proposed subpart 1 contains the current rule language, with one clarifying amendment. The second sentence addresses the determination of the billing period adjustment. The phrase "extending" Mcf, Ccf, or Btu sales in the billing period by an adjustment per Mcf, Ccf, or Btu" (Emphasis supplied) did not clearly explain the adjustment. Therefore, the phrase was replaced with "applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period" (Emphasis supplied). The new phrase more clearly describes how the adjustment is determined. This amendment does not change the substance of the current rule. It is reasonable because it results in a more readable rule.

When a utility files a general rate case, it must zero out its PGA and establish a new base gas cost both at the implementation of interim and final rates. See Minn. Stat. section 216B.16 (1988). Proposed subpart 2 has been added to these rules to clarify existing practice.

There is currently no rule provision which sets forth the necessity of and method for establishing a new base gas cost. This has resulted in confusion and incomplete rate case filings from several utilities in the past. For example, in Docket No. G-011/GR-86-144, Peoples Natural Gas Company filed a general rate case on March 17, 1986. The filing was not accompanied by a miscellaneous filing to establish a new base gas cost, which is needed to set interim rates. The DPS notified Peoples of this omission and a new base gas cost was filed in Docket No. G-011/MR-86-203 on April 14, 1986.

An amendment to require the establishment of a new base gas cost and explain how to determine it is reasonable because it will eliminate these problems and provide important information to utilities. Proposed subpart 2 accomplishes these goals in a reasonable manner. It clearly states the appropriate procedure and calculation necessary for a new base gas cost when a gas utility requests a general rate case under Minn. Stat. section 216B.16 (1988).

The current PGA rule part 7825.2700 requires that the automatic adjustment of charges be applied to billings after the effective date of the commodity and demand rate change. This rule was appropriate when federally regulated wholesale rates changed only twice a year. With the gas utilities' new ability to combine regulated gas purchases with third-party purchases, the delivered gas cost for a utility will change more frequently; in some cases several times a month. Changing gas rates this frequently would create confusion for customers and excessive administrative work for gas utilities. Changing too infrequently, however, would not allow for accurate matching of gas costs and rates and force a large reconciliation between the utility and the customer at the end of the year.

It is therefore reasonable to require gas utilities to automatically adjust their rates whenever the change in their total delivered gas cost (the sum of the commodity and demand adjustments) is greater than $0.03/MMBtu, but at least every three months, as this rule has been amended in subpart 3. The use of the $0.03 threshold was derived in a simulation by the DPS and Minnegasco, where several thresholds were tested. $0.03 was chosen because it provided a balance between too frequent and too infrequent changes. It is currently being used by gas utilities through rule variances approved by the Commission and has worked well. The requirement of a change every three months is to ensure that utilities do not carry changes less than the threshold indefinitely and are over-recovering their actual cost of gas from customers.

Proposed subpart 3 also allows utilities to make adjustments on a more frequent basis if they provide for it in their tariff. A utility may seek Commission approval to do this if they feel it

is important to track gas costs more closely and is not administratively burdensome. For example, Midwest Gas is owned by a holding company which changes its PGA monthly. It is easier for Midwest to change when the holding company changes; so it may request permission to do so under the amended rules. These amendments will provide a balance between too frequent filings and the need to ensure that customers pay rates that reflect the current delivered gas cost.

Proposed subpart 4 requires gas utilities to base the PGA on forecasted rather than historic sales volume. This is reasonable because the PGA is proactive to the time that it is filed, and therefore the adjustment will be more accurate if it is based on estimated rather than past volumes of delivered gas. More accurate volumes for the PGA will provide for better matching of rates with costs, making the annual true-up smaller and giving consumers an accurate picture of gas costs on which to base consumption decisions.

Proposed subparts 4 and 5 change the term "city gate rate" to "commodity delivered gas cost" (subpart 4) and "demand delivered gas cost" (subpart 5). This change is consistent with the definition amendments (see page 8) and clarifies that subpart 4 constitutes an adjustment to the commodity rate and subpart 5 describes an adjustment to the demand rate.

Proposed subparts 4 and 5 are also altered to clarify the wording of the first sentence of each item. The terms "difference between" and "change in" have been interchanged. This makes the sentences read more logically and does not alter their meaning or intent. These sentences have further been altered to change the word cost to rate when referring to commodity cost and demand cost. The word "cost" generally refers to a set amount whereas "rate" refers to an amount per unit. The commodity and demand adjustments will both result in a figure which is expressed as a rate rather than a cost. This change is reasonable because it clarifies the intent of the rule and substitutes a term which is widely used throughout the industry.

Proposed subparts 4 and 5 are also altered to delete the requirements as to when the PGA is applied to customer billings. These requirements were consolidated and amended in proposed subpart 3. It is reasonable to eliminate these statements because they are redundant given the rule amendments.

Moreover, proposed subpart 5 requires that the demand adjustment be computed on the basis of test year sales volumes until three years have elapsed since the utility's last general rate case, and annual demand volume thereafter. This is reasonable because the test year demand volume has been previously determined by the Commission in the context of a general rate proceeding and incorporates more current information than the annual demand

volume. The use of the test year demand volume will also be administratively easier for the utilities to use in calculating the demand allocation to each customer class. When the utility has collected annual sales volume data for three years beyond the test year, the annual demand volume contains more current information and therefore becomes the appropriate basis to use.

Finally, proposed subpart 5 governs the demand adjustment for those customers who are billed separately for demand. Current PGA rules do not allow gas utilities to automatically adjust demand charges in response to a change in the cost of demand. Instead, the demand adjustment is passed through to these customers in their commodity rate, just as it is for customers who are not billed separately for demand. It is reasonable to amend this rule to allow utilities to automatically adjust demand contracts in response to a change in demand cost because the current method does not charge customers accurately for their contract demand, particularly those customers who reserve demand but are not currently taking any commodity from the system. These charges are unfairly passed on to the general ratepayers in their gas rates. The proposed rule solves this problem by requiring an adjustment to the demand component of a demand-billed customer when demand cost changes.

The next amendment to this rule part, proposed subpart 6 (which amends the current item C) concerns the peak shaving or manufactured gas adjustment. The Commission proposes to eliminate the separate dates of April 30 and June 1 for applying the peak-shaving adjustment to bills and set a new date, September 1. The intent of this change is to allow the date for applying the peak-shaving adjustment to firm customer's bills to coincide with the timing of the annual true-up (proposed subpart 7). This is reasonable because it will simplify gas utility billing and eliminate customer confusion if all annualized adjustments are applied to bills commencing on the same date.

The Commission proposes, in subpart 7, to establish an annual true-up or balancing procedure for gas utilities to reconcile the differences between actual and recovered gas costs at the end of each year. By requiring utilities to file quarterly or when delivered gas cost changes more than $0.03/MMBtu, there will be periods during a year where gas costs are not being accurately reflected in gas rates. It is reasonable to establish the true-up because such a procedure will eliminate the need for gas utilities to file for each change in delivered gas cost, but not leave them at risk for over- or under-recovery of fuel costs. The ratepayers will benefit from this procedure because it will ensure that, in any given year, they are paying in their rates the exact cost of the gas they consumed.

Finally, the Commission proposes several changes in the item concerning refunds, proposed subpart 8. Refunds will be

accumulated over the year and distributed to customers annually, instead of when the refund amount is at least five cents. With the availability of unregulated gas supply, the Commission anticipates there will be more frequent refunds than in the past, when the pipeline rate was regulated and refunds were infrequent and predictable. The five cent threshold of the current rule was found to be too low to administer refunds cost-effectively. Numerous refunds during the year would result in erratic bills which would confuse customers. Along with eliminating expense and confusion, an annual refund would also allow the DPS to maintain more control over the refund process, as they would know when refunds are to be filed and be prepared to handle them.

The exception to the annual refund would be cumulative refunds averaging five dollars or more per customer. Cumulative refunds mean that the total refund amount which has been accumulated divided by the total number of customers would be greater than or equal to five dollars. As this would be a very large refund, the Commission proposes that these refunds be distributed within 90 days from the date the most recent refund resulting in a cumulative refund greater than $5.00 is received from the supplier or transporter.

The refund rule is further amended to establish a specific method for allocation of a refund. The current rule is ambiguous on this subject and regulated gas utilities have been using several different methods of distribution. This causes inconsistencies in refund filings and makes it very difficult for the DPS to analyze refunds on a uniform basis.

The proposed method will allocate refunds to each customer class in proportion to their previously charged fuel costs. Within the class, refunds will be distributed to current customers based on their individual 12-month usage. This amendment is proposed to enable the gas utilities to handle all refunds equally and in the same manner as surcharges.

Some refunds and most surcharges are made by suppliers through gas cost adjustments. These are passed on to current customers through adjustments in the PGA. Similarly, when a supplier makes a lump-sum adjustment to a utility, it is reasonable to recognize these amounts as assets (or liabilities) of current customers. Utilities experience frequent customer turnover on their system and it is time-consuming and costly to locate past customers in order to make refunds. Furthermore, it is implausible to expect utilities to go back and charge former customers for lump-sum surcharges; these are passed on to current customers. Trying to locate and refund former customers would involve complex record keeping and an enormous amount of time and expense. Even then, many refunds would be unable to be distributed because forwarding addresses would be unavailable or refund amounts would be too small to distribute cost-effectively by check.

It is therefore reasonable to refund to current customers on the basis of individual 12-month usage by credits to bills. This will result in a more efficient refund system, with minimum costs incurred in record keeping, administration and distribution of the refunds. Customers will get the full benefit of any refund, and will not incur any extraordinary expenses involved in distributing the refund.

Part 7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS

This rule part has been amended to require gas utilities to report on conservation actions when they summarize actions taken to minimize cost. The Legislature has found that conservation is an important alternative to new supplies of natural gas. See Minn. Stat. section 216B.241 (1988). Conservation actions are also in the best interests of the ratepayers because conservation results in lower consumption and, therefore, lower gas bills for the ratepayers.

If applicable, the gas utility could reference its Conservation Improvement Program filed under Minn. Rules, chapter 7840, or the Conservation Plan it filed with its last general rate case. Therefore, this requirement is not duplicative or burdensome to the gas utility.

Part 7825.2810 ANNUAL REPORT: AUTOMATIC ADJUSTMENT OF CHARGES

The proposed changes to this rule part request additional information from gas utilities when they file annual reports. All of the additional reporting requirements apply specifically to gas utilities and will not affect the annual reports for the Automatic Electric Adjustment.

The first sentence in subpart 1 has been amended by the Revisor's Office. The term "all" has been removed because it is redundant and, therefore, unnecessary. The term "prior" has been replaced by "previous" because it is the preferred term. These are editorial changes which do not affect the substance of the rule.

An editorial change to subpart 1, item A, was necessary to make this item consistent with amendments to the definitions. The addition of part 7825.2400, subpart 4a reflects the amendment which creates definitions for "base gas cost" and "base electric cost".

Amended item B requires the reporting of purchased gas by major component. The amended PGA rules allow for the pass-through of all gas costs, which include the gas commodity and supply-related costs. It is reasonable to require the utilities to file reports

of the changes in each component of purchased gas which results in an adjustment. For instance, a large increase in commodity cost and a corresponding decrease in firm transportation cost could offset each other and make an adjustment look minor if they were reported as one adjustment. The large increase in commodity cost could, however, be the result of a questionable purchasing decision. It is important for the DPS and the Commission to know the adjustment of each component in order to determine if the Commission should fix at current levels, discontinue or modify the PGA for a gas utility pursuant to part 7825.2920, subpart 3.

The next amendment to this part, in item D, includes the cost of supply-related services in the reporting of the total cost of gas delivered to customers. This is reasonable because it is consistent with the definition of delivered gas cost, which includes the cost of supply-related services as those costs which may be passed through the PGA.

Proposed subpart 2 designates filing requirements for gas utilities only. This is noted in the rule part so that electric utilities know that the new requirements do not affect them. First, the amendment in proposed item A requires reporting of any rule variances to the PGA requested or in effect during the 12-month reporting period. This is reasonable because, in the face of rapidly changing market conditions and regulatory environment, reporting of variances will allow the Commission to gauge the effectiveness of current PGA rules and evaluate the need for rule revisions.

The next amendments to this part, in proposed items B and C, require gas utilities to report any changes in demand over the past year and the reasons for those changes, and the level of end-user transportation volumes delivered under transportation tariffs during the previous year. This information is reasonable to require because it will allow the Commission to monitor sales growth and declines in conjunction with the level of transportation activity on the utility's system.

Current customers of the LDC, particularly large industrial users, can now contract for their own third party gas. They would then contract with the LDC for transportation of this gas. In many cases, the utility will act as an agent or a broker in arranging these gas purchases. If the utility does not charge correct prices for this service, retail customers may be subsidizing the service through higher rates. Knowing the level of transportation activity on the system will allow Commission to examine whether a utility's transporting of gas on behalf of end-users could potentially harm the utility's retail sales customers in the form of higher rates.

Proposed item D requires an explanation of each deviation between gas cost recovery and actual costs for the reporting period. As

the Commission proposes to allow utilities to file the PGA on estimated volumes, it is important to examine how accurate forecasts were and why deviations occurred. If a utility is consistently overestimating volumes, they are systematically overcollecting gas costs from consumers. If they are underestimating, then they are likewise undercollecting, which could cause a large financial burden on customers in the true-up. Ideally, deviations from actual cost should balance out to near zero over the reporting period.

It is reasonable to require an explanation for these deviations because it will aid the Commission in protecting the ratepayers from utilities who are systematically over- or undercollecting on their PGAs. It is not an excessive burden on the utility to provide a brief summary as to why a deviation occurred; for example, an unusually warm winter or an unexpected purchase.

Part 7825.2830 ANNUAL FIVE-YEAR PROJECTION

The proposed amendment to this part would eliminate the requirement for an annual five-year projection for gas utilities. This is reasonable because the marketplace currently governs utility gas costs and neither the utilities nor suppliers are able to accurately predict the cost of future supply. The companies typically use the same forecast agency to predict as the DPS uses to evaluate the accuracy of the prediction, so the projection actually provides no information which is not already available to the DPS and is very time-consuming for the companies to prepare. Since these forecasts can provide little meaningful information to the Commission, they should no longer be required.

At the same time, the Commission would like some outside opinion on the current state of the gas market and where utilities feel it is going. The Commission proposes to amend this section to require the utilities to submit a brief statement of their opinion. This is reasonable because it will help the Commission plan the amount of regulatory oversight needed in the future, which could be based upon how much unregulated gas is available to utilities for purchase. The availability of more unregulated gas could require greater Commission oversight to ensure that utilities are acting in the best interest of their customers. This information could further help explain to the Commission some of the reasons for a utility's purchasing practices, although the opinion is not binding on the companies and the Commission would not be able to enforce it if their position changed in a future proceeding.

The Commission notes that the elimination of the five-year projection requirement is for gas utilities only. While it is possible that electric utilities may face some of the same problems in making projections in the future, that issue has not

been examined by the Commission as the revision of these rules are intended to overhaul the PGA and only gas utilities have been involved in the process.

Part 7825.2900 FILE UPON CHANGE OF AUTOMATIC ADJUSTMENT OF CHARGES

The Commission proposes to eliminate this rule part and create three new rule parts under the general heading "Filing for Automatic Adjustment of Charges". The three new parts are 7825.2900, "Filing By Electric Utilities"; 7825.2910, "Filing By Gas Utilities"; and 7825.2920, "Approval for Automatic Adjustment of Charges".

In the current rules, the filing requirements are identical for gas and electric utilities and are therefore not differentiated in part 7825.2900, subpart 1. As the Commission proposes to alter the filing requirements for the PGA but not for the Automatic Electric Adjustment, it is reasonable to separate the filing requirements into two parts. The nature of the proposed PGA filing requirements do not lend themselves to a subpart under 7825.2900. As a solution, the Commission separated existing subparts 2, 3 and 4 of part 7825.2900 into their own rule part, constituting the approval of automatic adjustments. The three new parts are proposed as follows:

Part 7825.2900 FILING BY ELECTRIC UTILITIES

This part is proposed to be identical to the current part 7825.2900, subpart 1, with the exception that all references to gas utilities have been removed. The base cost has been changed to read "base <u>electric</u> cost" as is consistent with the definitions. This is reasonable because this part has been redesigned to apply only to electric utilities. The electric utilities will not be affected by the amendments in part 7825.2900, item B because the language removed pertains to the filing requirements for gas utilities. The requirements for electric utilities remain the same and the language of this part reflects that.

Part 7825.2910 FILING BY GAS UTILITIES

Subpart 1 of this proposed part requires that gas utilities submit monthly PGA filings rather than filing each time their PGA changes. As the utilities exercise more control over their delivered gas cost, it will be important for the Commission to closely monitor the utilities' gas purchases to ensure that costs are being managed in a reasonable manner. It is administratively efficient for the DPS if filings are made on a monthly basis,

even though the adjustment may only occur when the $0.03 threshold is reached or every three months. In the event that several adjustments must be made in a one-month period (in times of rapidly rising or falling prices, for example), gas utilities could sum up all adjustments occurring during the month and the DPS would not be burdened with the numerous filings that would occur under the current rule. Longer intervals between filing are undesirable because unreasonable gas purchases would go on longer before detection, possibly passing imprudent costs on to ratepayers.

The monthly filings will further enable the DPS to track all of the utilities' gas purchases on an equal basis for comparison purposes. It is not possible to compare filings when they occur at different times, which would happen if utilities file only when they need to change their PGA. It is reasonable for the Commission to require monthly filings because information will be changing frequently, as utilities alter their price mix using regulated and unregulated gas purchases in pursuit of lower gas costs. This information should be reported in a timely manner in order to maintain sufficient regulatory oversight.

The monthly filings will be reviewed by the DPS and are subject to automatic approval, as provided for in part 7825.2920, subpart 1, unless the DPS finds errors or requests Commission action under part 7825.2920, subpart 3. The DPS will summarize each utility's PGA reports quarterly for the Commission to review. This will keep the Commission current on the PGA and alert it to potential problems much earlier than the annual reports.

Items A to D of subpart 1 state the specific reporting requirements to be included in the monthly filings. Item A is similar to the current part 7825.2900, subpart 1, item A. It has been amended to allow for filing more than one adjustment (or no adjustments if none occurred) in the monthly filing. Item B merely restates requirements that already exist in the current rules. It is reasonable to include these because the need for this information has not changed. The Commission proposes to eliminate item C from the current part 7825.2900, subpart 1, because the requirement applies to electric companies only.

Proposed item C requires the reporting of the gas utilities' estimated commodity cost in the previous month and cumulatively. Proposed item D requires reporting of third-party gas purchases. Proposed item E requires reporting of prices paid as a percentage of all gas purchases for the month. The third-party gas market is the market through which utilities can purchase unregulated gas.

The information in items C, D, and E will be used to monitor the gas utilities' activity in the third-party gas market and its effect on commodity costs. This will provide the Commission with

a clear picture of the third-party gas market and whether that market is being used efficiently to lower ratepayers' gas costs. If a utility's commodity price is much higher or lower than other utilities, it would be possible for the Commission to see if very good or very bad purchases on the third-party gas market caused this discrepancy instead of factors which the utility could not control. It is therefore reasonable for the Commission to require this information.

This subpart also requires the DPS to submit filings to the Commission every three months which summarize each utility's PGAs. This is reasonable because it will keep the Commission current on PGA filings, but reduce duplication of efforts by the Commission staff and the DPS in reviewing monthly filings.

Subpart 2 of this proposed part requires that gas utilities file with the DPS when they desire to increase or decrease their demand level, to redistribute demand among classes, or to exchange one form of demand for another. The Commission currently handles this change as a miscellaneous rate change on an individual utility basis. There is, therefore, no standard reporting mechanism to request these changes and the evidence presented to demonstrate need for a change can vary considerably among petitions. With the ability to purchase unregulated gas supplies, the Commission anticipates that utilities will be making more requests to change the level and allocation of demand.

The Commission recognizes the need for greater flexibility to change demand in response to changing markets and competition. Therefore, the Commission proposes to require gas utilities to file changes in demand level with the DPS. Pursuant to part 7825.2920, subpart 1, these filings will be provisionally approved and may be placed into effect without Commission action, subject to refunding for errors and Commission action after investigation, notice and hearing.

Under current practice, when a utility files for a change in demand, the DPS suspends review of the utility's PGA until the miscellaneous rate change is approved by the Commission. Although most changes are handled expediently, occasionally Commission action is delayed due to crowded schedules or an incomplete filing. In one recent case, review of a demand change took longer than usual due to an incomplete filing. Upon commission-ordered investigation of the demand change, the DPS discovered a calculation error in the PGA which had caused a large overcollection during the delay. These monies were refunded to customers, but in the meantime the customers' best interests were not being served (because they were paying more than they should for their gas) and the refund put considerable strain on the utility's cash flow.

The Commission proposes to prevent this problem from occurring again by making a request for a change in demand an automatic adjustment rather than a miscellaneous rate change. The proposed rule would still allow for the demand change to be closely reviewed for appropriateness; however, the review of the PGA would not have to be suspended pending approval of the demand change.

The Commission also sees a need for specific reporting requirements in order to make demand changes into an automatic adjustment, as a demand change could put some utilities at risk of not being able to serve firm customers on peak days and would therefore be inappropriate. The proposed revisions will provide the Commission with a uniform process for making these changes in a timely manner while requiring sufficient information to ensure that the changes are appropriate.

Item A of subpart 2 requires that the utility file a description of the factors contributing to the need for changing demand level. Examples of these would be a decrease in customer base, a change in peak day demand, or a conversion to firm transportation. It is reasonable for the Commission to require this information because it will allow it to determine if the need for demand change represents a change in customer usage patterns or was brought about by inappropriate gas purchasing.

Item B requires that the utility report its design-day demand by customer class and the changes therein necessitating the demand change. Item D requires reporting on how the utility plans to meet design-day needs under the requested demand level. This information is reasonable to require because it will enable the Commission to ensure that the requested level or allocation of demand is sufficient to meet the needs of the utility's customers and that firm customers are assured a reliable gas supply.

Item C requests information regarding winter versus summer usage of all customer classes. This information is important in the event that a utility wishes to exchange one form of demand for another (e.g. contract demand for winter service). The Commission must be assured that a change in type of demand, if not level, would not put firm customers at risk for a reliable gas supply.

Proposed subpart 3 governs the notice requirements for a change in demand filing. Currently, a miscellaneous rate filing provides notice of a proposed change in demand level to interested parties (generally all intervenors in the utility's last two general rate cases). The Commission proposes to require that this notice still be provided. This requirement is reasonable because it is current practice, and because a change in demand level could potentially seriously affect these interested parties; therefore, they should receive adequate notice of the change and should be allowed to comment.

Subpart 4 in the rule part is proposed to set forth filing requirements for the annual true-up. Previous amendments in part 7825.2700, proposed subpart 7, allow for the existence and computation of an annual true-up, and this subpart dictates when it should be filed. This is reasonable because it is necessary for the utilities to know when this must be filed and for the Commission and the DPS to know when to expect the true-up filing and when it will be applied to customer bills.

Part 7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES

Subparts 1, 2, and 3 of this part are identical to subparts 2, 3, and 4 of the current rule part 7825.2900. It is reasonable to include these parts because the need for approval requirements has not changed. They are merely being grouped into their own section. These subparts are compatible with the proposed rule amendments. Although this rule part does not propose new language, the Revisor's Office underlined the text because that office made minor editorial changes and because the text is contained in a new rule part.

IMPLEMENTATION

This rule part has been amended so that PGA rule variances for gas utilities in effect on the date that these rules go into effect, are modified to eliminate conflicts with these proposed rule amendments. Since the variances were granted for only one year, the Revisor's Office did not number this rule part.

Rule variances were granted because the current rules are obsolete. The proposed rule amendments update the rules. However, recession of all the rule variances is not appropriate because that could be interpreted to require each gas utility to recalculate its PGA. Therefore, it is reasonable to modify only that portion of each rule variance that conflicts with the proposed rule amendments.

V. SMALL BUSINESS CONSIDERATIONS IN RULEMAKING

Minn. Stat. section 14.115, subd. 2 (1988) requires the Commission, when proposing rules which may affect small business, to consider the following methods for reducing the impact on small businesses:

(a) the establishment of less stringent compliance or reporting requirements for small businesses;

(b) the establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;

(c) the consolidation or simplification of compliance or reporting requirements for small businesses;

(d) the establishment of performance standards for small businesses to replace design or operational standards required in the rule; and

(e) the exemption of small businesses from any or all requirements of the rule.

Minn. Stat. section 114.115, subd.1 (1988) defines small business as:

Definition. For purposes of this section, "small business" means a business entity, including its affiliates, that (a) is independently owned and operated; (b) is not dominant in its field; and (c) employs fewer than 50 full-time employees or has gross annual sales of less than $4,000,000. For purposes of a specific rule, an agency may define small business to include more employees if necessary to adapt the rule to the needs and problems of small businesses.

The proposed rules may affect small businesses as defined in Minn. Stat. section 14.115 (1988). The small businesses that may be affected are the small gas utilities. As a result, the Commission has considered the above-listed methods for reducing the impact of the rule on small businesses.

Methods (a), (b), and (c) address compliance and reporting requirements. The reporting requirements as they are currently written are the least amount of information on which the Commission can determine whether the utilities have complied with the rule. This is especially important now that utilities have more control over their gas costs by purchasing unregulated gas. Because the federal government has eased restriction on natural gas costs, the Commission feels it must now take more regulatory burden upon itself to ensure that the gas utilities are acting in the public's best interest.

Nor can the Commission make compliance requirements themselves less restrictive. Proof of compliance with the rule is necessary so that the Commission is assured that companies in fact satisfy the rule requirements.

Method (d) does not apply to the proposed rules because the rules do not contain design or operational standards.

Method (e) addresses the exemption of small businesses from any or all rule requirements. Because all gas utilities are now allowed by statute to purchase unregulated gas, the Commission could not exempt some of the smaller gas utilities. Exempting the small gas utilities from some of the rule requirements would result in the Commission lacking sufficient information to make well-reasoned decision concerning those utilities' PGAs. Moreover, exempting small gas utilities would also result in discrimination against their customers because their customers would not have the safeguards afforded the customers of large gas utilities. Therefore, the rules apply equally to large and small gas utilities.

The Commission notes that it has been authorized by Minn. Stat. Ch. 216B (1988) to regulate gas utilities in Minnesota. The basic tenets of regulation include: gas utilities are affected with a deep public interest; they are obligated to provide satisfactory service to the entire public on demand; and they are obligated to charge fair, non-discriminatory rates. In return, the gas utilities receive a general freedom from substantial direct competition and the opportunity to make a fair return on investment. Given this regulatory scheme, it is clear that the legislature views gas utilities differently from other concerns identified as small businesses. That is, the degree of government intervention in the operations of a gas utility is considerably higher than in other types of businesses.

Finally, though some small gas utilities fall within the definition of small businesses as that term is defined in Minn. Stat. section 14.115 (1988), they are excepted from this statute. Minn. Stat. section 14.115, subd. 7 (1988) establishes exceptions to the general obligations created by the statute and applies to rules promulgated by the Commission. In pertinent part, it states:

> Subd. 7 **Applicability.** This section does not apply to: ...(c) service businesses regulated by government bodies, for standards and costs, such as nursing homes, long-term care facilities, hospitals, providers of medical care, daycare centers, group homes and residential care facilities.

Gas utilities fall within this broad definition. They are certainly service businesses regulated by government bodies for standards and costs. The words following the phrase "such as" merely provide some examples of government regulated businesses and are not exclusive. For the foregoing reasons, Minn. Stat. sec. 14.115 (1988) is not applicable to this rulemaking procedure.

VI. CONCLUSION

Based on the foregoing, the proposed Minn. Rules, parts 7825.2390 to 7825.3000 are both needed and reasonable.

Mary Ellen Hennen
Executive Secretary

Department of Transportation

Technical Services Division

Availability of Contract for Bridge Design

The Minnesota Department of Transportation intends to engage a consultant to prepare reconstruction plans for Bridge Nos. 69808, 69808A, 69809, and 69810 carrying T.H. 535 over Garfield Avenue and the BN Railroad in Duluth, Minnesota.

Work is proposed to start after April 1, 1988. Approximately 7 months anticipated for completion.

Technical inquiries should be directed to:

Mr. D. L. Dorgan
Bridge Analysis and Liaison Engineer
Room 610C
Transportation Building
St. Paul, MN 55155
(612) 296-3187

Firms desiring consideration should submit their expression of interest, along with three copies of their Federal Forms 254 and 255 to:

Mr. J. F. Weingartz
Consultant Agreements Engineer
Room 612B
Transportation Building
St. Paul, MN 55155

Response deadline 12:00 P.M., February 3, 1988.

Minnesota Public Utilities Commission

Notice of Intent to Solicit Outside Information Regarding Proposed Rule Governing Automatic Adjustment of Charges, Docket No. G-999/R-85-789

Notice is hereby given that the Minnesota Public Utilities Commission (Commission) is seeking information or opinions from outside sources in preparing to propose the amendment of rules governing automatic adjustment of charges, *Minnesota Rules*, parts 7825.2390 to 7825.3000. Specifically, comment is requested on the purchased gas adjustment portion of these rules to address natural gas transportation and the resulting changes in the structure of gas costs.

The amendment of these rules is authorized by *Minnesota Statutes* Sections 216B.03, 216B.05, 216B.08 (1986), which require public utilities to charge just and reasonableness rates and to file rate schedules, and allows the Commission to make rules.

The Commission requests information and opinions concerning the subject matter of the purchased gas adjustment portion of the rules. Interested persons or groups may submit data or views in writing or orally. Written statements or comments should be directed to:

Caroline Robinson
Minnesota Public Utilities Commission
780 American Center Building
150 East Kellogg Boulevard
St. Paul, MN 55101
(612) 296-9617

Oral statements or comments will be received during regular business hours, 8:30 a.m. to 5:00 p.m., Monday through Friday.

All statements of information and opinion will be accepted until March 1, 1988. Any written materials received by the Commission shall become part of the rulemaking record. The Commission anticipates proposing amended rules by May of 1988.

Mary Ellen Hennen
Executive Secretary

use, 6) compliance with state and county shoreland zoning laws, 7) procedures for lease renewals, 8) standards and procedures for cancelling leases, and 9) permissible structures and uses. These rules are being established under authority of 1985 Minnesota Laws, ch. 14, art. 17, § 1 (1st Spec. Sess.).

You may submit information or comments, in writing, concerning the items mentioned in this notice or any other items relating to this topic to:

James E. Lawler
Bureau of Land—Box 30
Department of Natural Resources
500 Lafayette Road
St. Paul, MN 55146

The Department will accept information and comments through December 31, 1985.

Public Utilities Commission

Outside Opinion Sought on Purchased Gas Adjustment Rules

On October 9, 1985, the Federal Energy Regulatory Commission (FERC) issued its Final Rule and Notice Requesting Supplemental Comments, Order No. 436, in Docket No. RM85-1 (Final Note). Although the Final Rule is subject to requests for reconsideration and court challenges, it appears probable that many natural gas pipelines will, as a result of the Final Rule, become nondiscriminatory transporters of natural gas owned by others. Local distribution companies, which until now have been limited to purchasing natural gas sold by their pipeline suppliers, may then have the alternative of purchasing gas anywhere from any seller, and having that gas transported to them by the pipeline.

Notice is hereby given that the Minnesota Public Utilities Commission (Commission) is seeking information or opinions from sources outside the agency on whether the changes brought about by the Final Rule need to be accommodated by amendments to the Commission's Automatic Adjustment Rules (Minn. Rules, parts 7825.2390 to 7825.3000). Within the Automatic Adjustment Rules, the Commission is specifically interested in those rules applicable to Purchased Gas Adjustments (PGAs). Authority for adopting such amendments is found in Minn. Stat. §§ 216B.08 and 216B.16, subd. 7 (1984).

The Commissioner may propose that any PGA rules should be designed to achieve certain objectives, including the following:

- Firm customers of local distribution companies, including residential customers, must be assured of a reliable supply of natural gas at all times.
- Local distribution companies should obtain the most economical "mix" of delivered gas supplies consistent with the reliability objective stated above.
- Local distribution companies which make good faith attempts to carry out the above objectives through innovative purchase arrangements should not be at greater risk of non-recovery of their cost of purchased gas than are those which continue to purchase from the pipeline as usual.
- Unreasonable and imprudent purchased gas costs should not be passed through to consumers.
- Local distribution companies should not transport gas on behalf of end-users unless that transportation provides benefits to the companies' retail sales customers.

In addition to requesting comments on whether and how the rules affecting PGAs should be changed to accomplish the objectives, the Commission seeks comment on the objectives themselves: are they appropriate? should more (or fewer) objectives be employed? should those presented be modified?

The Commission observes that interested persons, including the Commission, will need some time to read and evaluate the Final Rule. The Commission is, therefore, setting a deadline for comments and statements of January 17, 1986, which allows for a relatively long comment period. On the other hand, there may be a need to move swiftly to amend the rules with respect to PGAs. For this reason, interested persons are encouraged to submit comments as soon as possible during the comment period. Any person doing so may submit additional comments amending the initial comments during the comment period. All comments submitted will be available for review by members of the public at the Commission's offices during normal business hours.

The Commission will also host a public meeting for an exchange of ideas and comments on possible amendments to the rules governing PGAs on Monday, January 6, 1986, at 10:00 a.m., in its Large Hearing Room, 7th Floor, American Center Building, Kellogg and Robert, St. Paul, Minnesota.

Interested or affected persons or groups may submit statements of information or comment orally or in writing. Written com-

ments will be accepted until January 17, 1986. Interested persons should reference Docket No. G-999/R-85-789 on all written materials. Written statements should be addressed to:

Mary Ellen Hennen
Executive Secretary
Minnesota Public Utilities Commission
780 American Center Building
150 East Kellogg
St. Paul, MN 55101

Oral statements will be received at the public hearing and otherwise during normal business hours over the telephone by Stuart Mitchell at (612) 296-8662 and in person at the above address.

Any written material received by the Commission shall become part of the record in the event that rules are proposed.

Department of Revenue
Property Equalization Division

Outside Opinion Sought Regarding Proposed Rules Governing the Valuation and Assessment of Railroads

Notice is hereby given that the State Department of Revenue is seeking information or opinions from sources outside the agency in preparing to promulgate permanent rules governing the valuation, allocation, apportionment and equalization of railroads for ad valorem tax purposes. The promulgation of these rules is specifically authorized by Minnesota Statute section 270.81 Subd. 5 and Minnesota Statute 270.84 Subd. 1, which require the agency to adopt rules governing the assessment of railroads.

Emergency rules have been in effect for the past year and now the Department of Revenue is requesting information and comments concerning the subject matter of these emergency rules as well as suggestions and revisions for inclusion in the permanent rules.

Interested or affected persons or groups may submit statements of information or comments orally or in writing. Written statements should be addressed to:

G. D. Garski
Manager of State Assessed Property
Property Equalization Division
Minnesota Department of Revenue
Centennial Office Building
St. Paul, Minnesota 55145

Oral statements will be received during regular business hours over the telephone at (612) 296-5134 and in person at the above address.

All statements of information and comments shall be accepted until December 9, 1985. Any written material received by the State Department of Revenue shall become part of the record in the event the rules are promulgated.

Lyle H. Ask, Director
Property Equalization Division

Department of Transportation

Amended Order and Notice of Street and Highway Routes Designated and Permitted to Carry the Gross Weights Allowed Under Minn. Stat. § 169.825, Order No. 70652

Whereas, the Commissioner of Transportation has made his Order No. 68884 as amended by Orders Nos. 69226, 69269, 69270, 69344, 69353, 69595, 69770, 69796, 70006, 70031, 70152, 70455, 70520, and 70580 designating and permitting certain street and highway routes, or segments of those routes, to carry the gross weights allowed under Minnesota Statutes § 169.825, and

Whereas, the Commissioner has determined that the additional following routes, or segment of routes, should be designated to carry the gross weights allowed under Minnesota Statutes § 169.825.

IT IS HEREBY ORDERED that Commissioner of Transportation Order No. 68884 is amended this date by adding the following designated streets and highway routes, or segment of routes, as follows:

G-999/R-85-789 (48)
3-2.89

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Proposed Rules

Pursuant to Minn. Stat. §§ 14.22, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register.* The notice must advise the public:

1. that they have 30 days in which to submit comment on the proposed rules;
2. that no public hearing will be held unless 25 or more persons make a written request for a hearing within the 30-day comment period;
3. of the manner in which persons shall request a hearing on the proposed rules; and
4. that the rule may be modified if the modifications are supported by the data and views submitted.

If, during the 30-day comment period, 25 or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.14-14.20, which state that if an agency decides to hold a public hearing, it must publish a notice of intent in the *State Register*.

Pursuant to Minn. Stat. §§ 14.29 and 14.30, agencies may propose emergency rules under certain circumstances. Proposed emergency rules are published in the *State Register* and, for at least 25 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Public Utilities Commission

Proposed Permanent Rules Relating to Purchase Gas Adjustment Charges

Notice of Intent to Adopt Rules Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Public Utilities Commission (Commission) intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes* sections 14.22 to 14.28 (1988). The Commission's authority to adopt the rule is set forth in *Minnesota Statutes* sections 216B.08 and 216B.16, subd. 7 (1988).

All persons have until 4:30 p.m. on April 26, 1989 to submit comments in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed. PLEASE USE DOCKET NO. G-999/R-85-789 ON ALL CORRESPONDENCE.

Any person may make a written request for a public hearing on the rules within the comment period. If 25 or more persons submit a written request for a public hearing within the comment period, a public hearing will be held unless a sufficient number withdraw their requests in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed.

If a public hearing is required, the Commission will proceed pursuant to *Minnesota Statutes* sections 14.131 to 14.20 (1988).

Comments or written requests for a public hearing must be submitted to:

Caroline Heil
Minnesota Public Utilities Commission
780 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101
(612) 296-9617

The proposed rules may be modified if the modifications are supported by data and views submitted to the Commission and do not result in a substantial change in the proposed rule as noticed.

The proposed rules, if adopted, will amend the current rules governing the purchased gas adjustment for gas utilities. Electric utilities are not effected by the proposed rules. The proposed rules are published below. One free copy of the rules is available upon request from the Commission by contacting the Commission's receptionist, Kris Kline, at the above address or by calling (612) 296-7124.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules and identifies the data and information relied upon to support the proposed rules has been prepared and is available from the Commission by contacting the Commission's receptionist, Kris Kline, at the above address or by calling (612) 296-7124.

You are hereby advised, pursuant to *Minnesota Statutes* section 14.115 (1988), "Small business considerations in rulemaking," that the proposed rules may effect small businesses. The proposed rules required small gas utilities to submit compliance and reporting information so that the Commission can determine if the utilities have calculated the purchased gas adjustments in the manner set out by the rules.

The adoption of these rules by the Commission will not require the expenditure of public money by local public bodies nor have a direct impact on agricultural land. Therefore, *Minnesota Statutes* section 14.11 (1988) is not applicable to this rulemaking proceeding.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the rule submitted to the Attorney General, must submit a written request to Caroline Heil at the above address.

Mary Ellen Hennen
Executive Secretary

Rules as Proposed

7825.2390 PURPOSE.

The purpose of parts 7825.2390 to ~~7825.3000~~ 7825.2920 is to ~~allow a means by which~~ enable regulated gas and electric utilities ~~may~~ to adjust ~~for increases and decreases~~ rates to reflect changes in the cost of energy delivered to customers ~~that are different~~ from those costs authorized by the commission in the utility's most recent general rate case. Energy costs included in rate schedules are subject to evidentiary hearings in general rate cases filed by the utility. Proposed energy cost adjustments must be submitted ~~before billing~~ to the Department of Public Service. Annual ~~evaluation~~ evaluations of energy cost adjustments ~~must be~~ are made by the Department of Public Service and others as provided for in parts 7825.2390 to ~~7825.3000~~ 7825.2920.

When a utility proposes new or revised electric energy or purchased gas adjustment provisions, the proposal is considered a change in rates and must be reviewed according to commission rules and practices relating to utility rate changes.

7825.2400 DEFINITIONS.

Subpart 1. **Scope.** ~~For the purpose of~~ The terms used in parts 7825.2390 to ~~7825.3000, the following definitions apply~~ 7825.2920 have the meanings given them in this part.

Subp. 2. **Annual sales volume.** "Annual sales volume" is the sum of the Mcf, Ccf, or Btu of gas delivered during the most recent 12 months ~~of the 14-month period~~, for which actual data are available, preceding a change in the ~~city gate rate or end of the heating season for which actual data is available~~ demand-delivered gas cost.

Subp. 3. **Annual demand ~~sales~~ volume.** "Annual demand ~~sales~~ volume" is the annual sales volume adjusted by an average percentage change in sales computed over the preceding three-year period, normalized for weather. Annual demand ~~sales~~ volume ~~shall include~~ includes interruptible sales to the extent that demand cost is incurred to service interruptible customers.

Subp. 4. **Base electric cost.** "Base electric cost" is the ~~cost of peak shaving gas volumes or the~~ cost of fuel consumed in the ~~manufacture of gas or~~ generation of electricity and ~~purchased gas or~~ the cost of purchased power in the base period expressed as a cost per kilowatt-hour sold ~~or cost per Mcf, Ccf, or Btu sold~~.

Subp. 4a. **Base gas cost.** "Base gas cost" is the cost of purchased gas established in the base period and expressed as a cost per Mcf, Ccf, or Btu sold.

Subp. 5. **Base period.** "Base period" is the 12-month period during which the automatic adjustment of charges is set at zero.

Subp. 5a. **Btu.** "Btu" means British thermal unit.

Subp. 6. [See Repealer.]

Subp. 6a. **Ccf.** "Ccf" means 100 cubic feet.

Subp. 6b. **Commission.** "Commission" means the Public Utilities Commission.

Subp. 6c. **Commodity.** "Commodity" means the volume of gas delivered.

Subp. 6d. **Commodity-delivered gas cost.** "Commodity-delivered gas cost" is the cost of gas charged a distributing gas utility for its gas supplies and supply-related services which is a function of the volume of gas taken. It refers to the cost of gas at the point at which the distributing utility takes title to the gas and associated costs incurred to bring the gas to the utility's distribution system, including for example: gathering, transportation, processing, storing, and balancing costs, taxes, and other charges.

Subp. 7. to 11. [Unchanged.]

Subp. 12. **Cost of purchased gas; incorporation by reference.** "Cost of purchased gas" is the cost of gas as defined by the Minnesota uniform system of accounts, class A and B gas utilities, ~~account~~ including accounts 800, 801, 802, 803, 804, ~~808, and 809 and purchased under federally regulated wholesale rates~~ 804.1, 805, 805.1, 806, 807, 808.1, 809.1, 810, 823, 842.1, 854, and 858 for energy ~~delivered through interstate facilities~~ purchased, as provided by *Code of Federal Regulations*, title 18, part 201, as amended through April 1, 1988. These accounts are incorporated by reference. All gas public utilities shall use this definition regardless of class.

Subp. 13. [Unchanged.]

Subp. 13a. **Demand.** "Demand" means the maximum daily volumes of gas that the utility has contracted with a supplier or transporter to receive.

Subp. 13b. **Demand-delivered gas cost.** "Demand-delivered gas cost" is gas supply and supply-related service costs other than the commodity-delivered gas cost, including, for example, the fixed cost determined by contract, and other charges.

Subp. 13c. **Department.** "Department" means the Department of Public Service.

Subp. 13d. **Design day.** "Design day" means a 24-hour-day period of the greatest possible gas requirement to meet firm customer needs.

Subp. 14. [See Repealer.]

Subp. 15. [Unchanged.]

Subp. 15a. **Kwh.** "Kwh" means kilowatt-hour.

Subp. 15b. **Mcf.** "Mcf" means 1,000 cubic feet.

Subp. 16. and 17. [Unchanged.]

Subp. 18. **Test year.** "Test year" is the period of 12 consecutive months used for evaluating a need for a change in rates.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

Subp. 19. **Test year demand volume.** "Test year demand volume" is the amount of demand approved by the commission and occurring during the test year.

7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF CHARGES.

The commission shall permit the filing of rate schedules containing provisions for the automatic adjustment of charges provided the provisions conform to parts 7825.2600 to ~~7825.3000~~ 7825.2920. Parts 7825.2390 to ~~7825.3000~~ 7825.2920 are applicable to all classes of public utilities.

Provisions for automatic adjustment of charges must encompass:

A. [Unchanged.]

B. Changes in cost resulting from changes in the ~~federally regulated wholesale rate~~ commodity-delivered gas cost and demand-delivered gas cost for purchased gas and changes in the cost of fuel consumed in the manufacture of gas or peak shaving gas volumes. This provision is entitled purchased gas adjustment.

7825.2600 ELECTRIC ENERGY ADJUSTMENT.

Subpart 1. **Computation generally.** The computations of the automatic adjustment to charges must conform to the procedures set forth ~~below~~ in this part.

The amount of the billing period adjustment to charges must be determined by extending ~~Kwh of~~ kilowatt-hour sales in the billing period by an adjustment per Kwh. The adjustment per Kwh or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **Adjustment per Kwh.** The adjustment per Kwh is the sum of the current period cost of energy purchased and cost of fuel consumed per Kwh less the base electric cost per Kwh~~; except that upon commission approval~~. However, a utility that purchases at least 75 percent of its annual total Kwh sales may also separately add, upon commission approval, an additional adjustment per Kwh equal to the difference between the purchased demand cost and the base electric cost of purchased demand. This purchased demand cost adjustment is to be computed annually for the previous year less the demand base electric cost per Kwh.

Subp. 3. **When adjustments calculated, applied.** The adjustment to charges must be made in the next complete billing period succeeding the determination of the adjustment per Kwh, provided the adjustment has been filed as defined by part 7825.2900~~, subpart 1~~. The adjustment factor must be calculated monthly. ~~Except, upon commission approval~~ However, a self-billing utility may calculate the adjustment less frequently, upon commission approval but at least annually, and shall provide for a settlement procedure. The adjustment must be applied each month. The adjustment amount must be rounded such that the projected recovery is within two percent of the change in total cost.

7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

Subpart 1. **Computation generally.** The computation of the automatic adjustment of charges must conform to the procedures set forth ~~below~~ in this part.

The amount of the billing period adjustment to charges must be determined by ~~extending~~ applying an adjustment per Mcf, Ccf, or Btu to Mcf, Ccf, or Btu sales in the billing period ~~by an adjustment per Mcf, Ccf, or Btu~~. The adjustment per Mcf, Ccf, or Btu or the amount of the adjustment must be stated on the customer's bill to comply with parts 7820.3500 and 7820.3600.

Subp. 2. **New base gas cost.** A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. The base gas cost includes a commodity base cost and a demand base cost. The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class.

Subp. 3. **Adjustment per Mcf, Ccf, or Btu.** The adjustment per Mcf, Ccf, or Btu is the sum of the commodity adjustment, demand adjustment, peak shaving gas adjustment, ~~and~~ manufactured gas adjustment ~~as computed below:~~, and true-up adjustment. The adjustment per Mcf, Ccf, or Btu must be applied to billings whenever the change in commodity-delivered gas cost and demand-delivered gas cost exceeds $0.03 per 1,000,000 Btu's. Subject to commission approval, a gas utility may include in its rate schedules a provision to apply an automatic adjustment of charges to billings on a more frequent basis to reflect changes in the commodity-delivered gas cost or in the demand-delivered gas cost. If there has been no automatic adjustment of charges for three months, the adjustment must be made three months from the date of the last adjustment. Adjustments must be filed under part 7825.2910.

~~A.~~ Subp. 4. **Commodity adjustment.** The commodity adjustment is the ~~difference between~~ change in the commodity ~~cost~~ rate which results from a ~~change in~~ difference between the ~~city gate rate~~ commodity-delivered gas cost and the commodity base cost.

To properly reflect adjustment per Mcf, Ccf, or Btu billed, the divisor for a particular class of customer must include total sales volume forecasted to be delivered to that class of customer over a budgeted 12-month period. ~~The adjustment must be applied to billings after the effective date of the commodity rate change provided the adjustment has been filed as defined by part 7825.2900, subpart 1.~~

~~B.~~ Subp. 5. **Demand adjustment.** The demand adjustment is the ~~difference between~~ change in the annual demand ~~cost~~ rate which results from a ~~change in~~ difference between the ~~city gate rate~~ demand-delivered gas cost and the demand base cost. In the event the ~~demand city gate rate~~ demand-delivered gas cost does not change, the demand adjustment must be recalculated for each 12-month period from the date of the last change. The adjustment must be computed using test year demand volumes for three years after the end of the utility's most recent general rate case test year. After this time period, the demand adjustment must be computed on the basis of annual demand ~~sales~~ volume ~~and applied to billings after the effective date of the demand rate change provided the adjustment has been filed as defined by part 7825.2900, subpart 1~~.

~~C.~~ If a customer class is billed separately for demand, the demand adjustment must be computed on the basis of the demand component of the rate for that class and applied to the demand charge.

Subd. 6. **Peak shaving and manufactured gas adjustment.** The peak shaving adjustment or the manufactured gas adjustment is the difference between the cost of propane or fuel consumed in the manufacture of gas during the heating season and the peak shaving or manufactured gas base cost. The peak shaving or manufactured gas adjustment must be computed annually ~~for the heating season ending April 30 of each year~~ on the basis of forecasted firm annual sales volume, adjusted to the extent peak shaving gas or manufactured gas is used to serve interruptible customers~~;~~ and to that extent the cost of peak shaving gas or manufactured gas must be applied to interruptible customers. The adjustment must be applied to billings during the next 12-month period commencing on ~~June~~ September 1 of each year provided the adjustment has been filed ~~as defined by~~ under part ~~7825.2900, subpart 1~~ 7825.2910.

Subp. 7. **True-up amount.** The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3.

Subp. 8. **Refunds.** Refunds and interest ~~thereon~~ on the refunds, that are received from the suppliers or transporters of purchased gas ~~that are~~ and attributable to the cost of gas previously sold, must be annually refunded by credits to bills ~~or check within a period not to exceed 90 days from the date the refund is received from a supplier, provided the refund amount per customer is equal to or greater than five cents. Upon approval of the commission, refunds of less than five cents per customer may be retained by the utility and separately accounted for until such time as the balance, together with additional supplier refunds, produces a refund of five cents or more per customer. Refunds must be made to each customer class on the same basis as previously charged to customers. If a supplier refund cannot be accurately distributed to customers because of seasonal usage patterns, then upon commission approval, refunding may be delayed for a period of up to 12 months~~, except that cumulative refund amounts equal to or greater than $5 per customer must be refunded within 90 days from the date the refund is received from a supplier or transporter. Refunds must be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit must be applied to bills on the basis of individual 12-month usage. The utility shall add interest to the unrefunded balance at the prime interest rate.

7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

All public utilities shall file annually on September 1 of each year the procurement policies for selecting sources of fuel and energy purchased, dispatching policies, if applicable, and a summary of actions taken to minimize cost including conservation actions for gas utilities.

7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

Subpart 1. **Gas and electric utilities.** By September 1 of each year, ~~all~~ gas and electric utilities shall submit to the commission an annual reporting by month of ~~all~~ automatic adjustment charges for each customer class for the ~~prior~~ previous year commencing July 1 and ending June 30. This report must include:

A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4 or 4a;

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas by major component, peak shaving gas, or manufactured gas;

C. [Unchanged.]

D. the total cost of fuel or gas delivered to customers including, for gas utilities, the cost of supply-related services;

E. to G. [Unchanged.]

Subp. 2. **Additional information from gas utilities.** In addition to the requirements in subpart 1, gas utilities are required to report:

A. purchased gas adjustment rule variances in effect or requested during the 12-month reporting period and reasons why those variances were necessary;

B. changes in demand contracted for during the reporting period and reasons for those revisions;

C. the level of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting period; and

D. a brief explanation of deviations between gas cost recovery and actual gas cost during the reporting period.

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, ~~all gas and~~ electric utilities shall submit to the commission a five-year projection of fuel ~~and gas~~ costs by energy source by month for the first two years and on an annual basis thereafter.

By September 1 of each year, each gas utility shall submit to the commission a brief statement of its opinion on the impact of market forces on gas costs for the coming year.

FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

7825.2900 ~~FILE UPON CHANGE OF AUTOMATIC ADJUSTMENT OF CHARGES~~ FILING BY ELECTRIC UTILITIES.

Subpart 1. **Filing required.** ~~Whenever a public~~ When an electric utility changes its automatic adjustment of charges, the utility ~~shall prior to,~~ before the effective date of the change, shall file ~~the following~~:

A. a summary of the computation of the adjustment~~.~~;

B. an explanation of significant changes between the base cost and current cost~~.~~ ~~Changes for electric utilities shall be quantified as to price, mix, thermal efficiency, and distribution loss. Changes for gas utilities shall be quantified as to price and mix changes.~~; and

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

Subp. 2. to 4. [See Repealer.]

7825.2910 FILING BY GAS UTILITIES.

Subpart 1. **Monthly reports.** Gas utilities shall submit monthly to the department purchased gas adjustment reports, which must include:

A. a summary of adjustments that were implemented in the previous month and the computation of each adjustment;

B. an explanation of significant changes between the base gas cost and current cost, quantified as to changes in price and source of gas;

C. the estimated previous month's and year-to-date commodity-delivered gas cost by supplier;

D. estimated gas volumes purchased from suppliers whose gas rates are not regulated by the Federal Energy Regulatory Commission; and

E. estimated costs of gas purchased in item D expressed as a percentage of all commodity-delivered gas costs and demand-delivered gas costs.

The department shall summarize the monthly reports every three months and submit the summary to the commission for review.

Subp. 2. **Filing upon change in demand.** Gas utilities shall file for a change in demand to increase or decrease demand, to redistribute demand percentages among classes, or to exchange one form of demand for another. A filing must contain:

A. a description of the factors contributing to the need for changing demand;

B. the utility's design-day demand by customer class and the change in design-day demand, if any, necessitating the demand revision;

C. a summary of the levels of winter versus summer usage for all customer classes; and

D. a description of design-day gas supply from all sources under the new level, allocation, or form of demand.

Subp. 3. **Notice.** A gas utility shall provide notice to the intervenors in its previous two general rate cases of the availability of the change in demand filing when it submits the filing to the department.

Subp. 4. **True-up filing.** Gas utilities shall file and implement on September 1 of each year the true-up adjustment computed under part 7825.2700, subpart 7, for the previous year commencing July 1 and ending June 30.

7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

Subpart 1. **Approval.** Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.

Subp. 2. **Errors.** Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if (1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

Subp. 3. **Commission action.** The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current levels, discontinue, or modify an automatic adjustment provision for an individual utility.

IMPLEMENTATION. Existing variances to parts 7825.2500, 7825.2700, 7825.2810, and 7825.2900 in effect on the effective date of these amendments to parts 7825.2390 to 7825.3000, are modified to eliminate conflicts with parts 7825.2390 to 7825.2920, as amended, on and after the effective date of these amendments.

INSTRUCTION TO REVISOR. The revisor of statutes shall change the term "7825.3000" to "7825.2920" in part 7825.3100, subpart 9, in the next and subsequent editions and supplements of *Minnesota Rules.*

REPEALER. *Minnesota Rules,* parts 7825.2400, subparts 6 and 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.

Adopted Rules

The adoption of a rule becomes effective after the requirements of Minn. Stat. § 14.14-14.28 have been met and five working days after the rule is published in *State Register*, unless a later date is required by statutes or specified in the rule.

If an adopted rule is identical to its proposed form as previously published, a notice of adoption and a citation to its previous *State Register* publication will be printed.

If an adopted rule differs from its proposed form, language which has been deleted will be printed with strikeouts and new language will be underlined. The rule's previous *State Register* publication will be cited.

An emergency rule becomes effective five working days after the approval of the Attorney General as specified in Minn. Stat. § 14.33 and upon the approval of the Revisor of Statutes as specified in § 14.36. Notice of approval by the Attorney General will be published as soon as practicable, and the adopted emergency rule will be published in the manner provided for adopted rules under § 14.18.

Pollution Control Agency

Adopted Permanent Rules Relating to Municipal Wastewater Treatment Grants

The rules proposed and published at *State Register*, Volume 13, Number 20, pages 1180-1184, November 14, 1988 (13 S.R. 1180) are adopted as proposed.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

RESOLUTION ADOPTING RULE AMENDMENTS

Docket No. G-999/R-85-789

BE IT RESOLVED, that the Minnesota Public Utilities Commission (Commission) hereby approves and adopts the amendments to rules governing purchased gas adjustments pursuant to the authority vested in the Commission by Minn. Stat. §§ 216B.08, 216B.03, 216B.05, and 216B.16, subd. 7 (1988).

BE IT FURTHER RESOLVED, that prior to publishing the rules as adopted in the State Register, the Executive Secretary is authorized to make any form changes in the rules that the Revisor of Statutes requires the Commission to make in order to obtain the Revisor's Certificate as required by Minn. Stat. § 14.28 (1988).

BE IT FURTHER RESOLVED, that the Commission adopts the attached Findings of Fact, Conclusions, and Order Adopting Rule Amendments and that the Executive Secretary is hereby authorized to sign the above-mentioned document on behalf of the Commission and to perform the necessary acts to provide that the rule shall have the force and effect of law.

Barbara Beerhalter
Officer of the Commission

Attest by one other Commission member

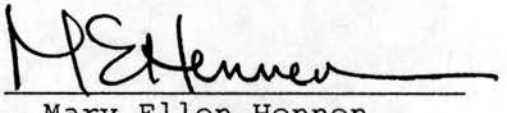
CERTIFICATE OF RESOLUTION ADOPTING RULE AMENDMENTS

Docket No. G-999/R-85-789

I, Mary Ellen Hennen, do hereby certify that I am the Executive Secretary of the Minnesota Public Utilities Commission (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 the 9th day of August, 1989, that a quorum was present at said meeting, that a majority of those present voted on the resolution and that said resolution will be set forth in the minutes of said meeting and has not been rescinded or modified:

> BE IT RESOLVED, that the Minnesota Public Utilities Commission (Commission) hereby approves and adopts the amendments to rules governing purchased gas adjustments pursuant to the authority vested in the Commission by Minn. Stat. §§ 216B.08, 216B.03, 216B.05, and 216B.16, subd. 7 (1988).
>
> BE IT FURTHER RESOLVED, that prior to publishing the rules as adopted in the State Register, the Executive Secretary is authorized to make any form changes in the rules that the Revisor of Statutes requires the Commission to make in order to obtain the Revisor's Certificate as required by Minn. Stat. § 14.28 (1988).
>
> BE IT FURTHER RESOLVED, that the Commission adopts the attached Findings of Fact, Conclusions, and Order Adopting Rule Amendments and that the Executive Secretary is hereby authorized to sign the above-mentioned document on behalf of the Commission and to perform the necessary acts to provide that the rule shall have the force and effect of law.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 9th day of August, 1989.



Mary Ellen Hennen
Executive Secretary

STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

In the Matter of the Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000.	ISSUE DATE: August 28, 1989 DOCKET NO. G-999/R-85-789 FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE AMENDMENTS

The above-entitled matter came on for decision before the Minnesota Public Utilities Commission (Commission) on the 9th day of August, 1989. After affording all interested persons the opportunity to present written and oral data, statements and arguments to the Commission, in accordance with statutory requirements regarding the adoption of noncontroversial rules, after considering the Statement of Need and Reasonableness, after considering all of the evidence adduced upon the records, files and proceedings herein, the Commission, being fully advised in the premises, hereby adopts the following Findings of Fact, Conclusions, and Order:

FINDINGS OF FACT

1. Notice of the Commission's intent to adopt the above rules without a public hearing was published in the State Register on March 27, 1989, and was sent by mail to all persons on the list maintained by the Commission pursuant to Minn. Stat. §§ 14.14, subd. 1a and 14.22 (1988) on March 24, 1989.

2. The Statement of Need and Reasonableness was prepared prior to mailing and publication of the notice and was made available to the public on March 7, 1989.

3. All persons were given the opportunity to submit comments on the rule for 30 days after notice of proposed rulemaking. The 30 day comment period, as set out in the notice, expired on April 26, 1989.

4. During the comment period the Commission received 25 conditional requests for public hearing from Northern States Power Company (NSP). All the requests for hearing were subsequently withdrawn. Therefore, the Commission did not receive requests for a public hearing from 25 or more persons which were not withdrawn.

5. Two requests for notice of submission to the Attorney General were received by the Commission from NSP and Minnegasco.

6. During the comment period the Commission received four written comments from the Minnesota Department of Public Service, AG Processing, Inc., NSP, and Minnegasco. On August 8, 1989, NSP and AG Processing, Inc. also submitted a modification to their timely filed comments.

After the comment period, the Commission received a written comment from Minnesota Power and a reply comment from Minnegasco.

The Commission finds that modifications to the proposed rules are justified by the record in this proceeding, as follows:

Any modifications to the proposed rules as published in the State Register and mailed to persons on the Commission's rulemaking list must not constitute a "substantial change" in accordance with Minn. Rules, part 2010.1000, governing Standards of Review by the Attorney General. That rule states as follows:

A rule must be disapproved by the Attorney General if ...there is a substantial change in the rule as adopted from the proposed rule as noticed. A change, by additions or deletions or other modifications to a proposed rule, is substantial if it:

1) affects classes of persons who could not reasonably have been expected to comment on the proposed rules as originally noticed;

2) introduces significant new subject matter which a reasonable person, on the basis of the proposed rule as originally noticed, would not have anticipated would occur during the rulemaking proceeding; or

3) makes a major substantive change that was not raised by the proposed rule as originally noticed in such a way as to invite reaction.

Part 7825.2400 DEFINITIONS, Subps. 6d and 13b, Commodity-delivered gas cost and Demand-delivered gas cost.

Subpart 6d of the proposed rule defines "commodity-delivered gas cost" as:

> "Commodity-delivered gas cost" is the cost of gas charged a distributing gas utility for its gas supplies and supply-related services which is a function of the volume of gas

taken. It refers to the cost of gas at the point at which the distributing utility takes title to the gas and associated costs incurred to bring the gas to the utility's distribution system, including for example: gathering, transportation, processing, storing, and balancing costs, taxes, and other charges.

Subpart 13b of the proposed rule defines "demand-delivered gas cost" as:

> "Demand-delivered gas cost" is gas supply and supply-related service costs other than the commodity-delivered gas cost, including, for example, the fixed cost determined by contract, and other charges.

AG Processing objected to the definition of commodity-delivered gas cost in its comments. AG Processing stated that the definition implied that all transportation, gathering, storage and other gas costs are always included in the pipeline commodity rate, and that it implied that unregulated gas could not be firm supply.

The Commission agrees with AG Processing that unregulated gas can be firm and carry a demand charge which would not be commodity related. The examples given in the definition were not meant to imply that those charges were solely commodity related. See Statement of Need and Reasonableness, pages 9 and 10.

AG Processing also objected to the use of the terms "supply-related services" and "associated costs" without definition. It stated that the terms were broad and unclear and may suggest the inclusion of costs not meant to be included.

The Commission agrees with AG Processing that the terms could be open to misinterpretation. To avoid misinterpretation, the Commission will link the definition of commodity-delivered gas costs to the definition of cost of purchased gas. The latter is defined clearly in subpart 12 by using specific accounts from the Minnesota uniform system of accounts.

Therefore, to clarify the proposed definition, the Commission will remove the examples and state that commodity-delivered gas cost is a subset of the cost of delivered gas. The modified definition of commodity-delivered gas cost will state:

> "Commodity-delivered gas cost" is the portion of the cost of purchased gas charged a distributing gas utility for its gas supplies and supply-related services, as defined in subpart 12, that is a function of the volume of gas taken. It refers to the cost of purchased gas, including associated costs incurred to deliver the gas to the utility's distribution system.

The Commission will make an analogous clarification in the definition of demand-delivered gas cost in subpart 13b, linking it to the definition of the costs of delivered gas and therefore to specific accounts in the Minnesota uniform system of accounts. The modified definition of demand-delivered gas cost will state:

> "Demand-delivered gas cost" is the portion of the cost of purchased gas charged a distributing gas utility for its gas supplies and supply-related services, as defined in subpart 12, other than the commodity-delivered gas cost. It refers to the cost of purchased gas, including associated costs incurred to deliver the gas to the utility's distribution system.

The Commission notes that AG Processing stated in its modified comments that it find this language agreeable.

The above modification is not a substantial change to the proposed rule. As a clarification, it does not introduce significant new subject matter. Nor does it make a major substantive change that was not raised by the proposed rule as originally noticed in such a way as to invite reaction. Finally, it does not affect a new class of persons.

<u>Part 7825.2400 DEFINITIONS, Subp. 12, Cost of purchased gas; incorporation by reference.</u>

In its comments, AG Processing stated that four of the proposed account numbers in the definition of cost of purchased gas should be removed. Upon closer examination of these accounts, the Commission agrees with AG Processing.

Minn. Stat. section 216B.16, subd. 7 (1988) states:

> Notwithstanding any other provision of this chapter, the commission may permit a public

> utility to file rate schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to changes in: (1) federally regulated wholesale rates for energy delivered through interstate facilities; **(2) direct costs for natural gas delivered;** or (3) costs for fuel used in generation of electricity or the manufacture of gas. (Emphasis added.)

Under item (2) of this statute, the Commission may permit gas utilities to pass through to customers the direct costs of natural gas delivered to retail customers.

Account 806, Exchange gas, carries the cost of major unbalanced exchange transactions. Although the account theoretically could be considered a cost of gas, its use is fraught with uncertainty at this time. Such transactions have been rare in the past, although they may become more common in the future. The Commission is not convinced at this time that these costs can be measured accurately enough and their timing determined with enough precision to justify passing them through to customers automatically.

Account 807, Purchased gas expenses, governs labor and other administrative costs incurred by the utility in connection with the purchase of gas. These costs are not gas costs, but related costs that are recoverable in general rate cases rather than through the purchased gas adjustment. The Commission takes a conservative view of what costs may be passed through the purchased gas adjustment, because it is automatic. Since these costs are not truly gas costs, they will not be included.

Account 823, Gas losses, governs the cost of gas lost or unaccounted for in underground storage. Like Account 806, this account theoretically could be considered a cost of gas, but its use is inconsistent and based on estimation. Underground storage in Minnesota involves the displacement of water from aquifers. Losses from such storage vary according to the geological characteristics of each aquifer. These differences in geological characteristics are one source of uncertainty; difficulty in measurement is another. Since gas often is not withdrawn from storage all at once, the amount of losses often would be estimated rather than measured precisely. Even though many errors in estimating gas costs can be corrected in the true-up, errors in estimating storage losses most likely would linger beyond the time of the true-up. Given this level of uncertainty,

the cost of gas lost from storage is best considered during general rate cases. It should not be included in the purchased gas adjustment.

The Commission notes that utilities that have a particular storage field in mind, and can demonstrate an accurate method of measuring or estimating storage losses, are free to apply for a rule variance under Minn. Rules, part 7830.4400, to include storage losses in the purchased gas adjustment. Such a variance, if granted, may last for one year or until the utility has an opportunity to include Account 823 in general rates.

Account 842.1, Fuel, governs the cost of gas used as fuel in the operation of other storage, such as liquefaction. Utilities generally incur this cost at the time gas is liquefied for storage, or as they burn gas or other fuels to maintain proper temperatures and pressures during storage. In either case, a mismatch can occur between the time the cost is incurred and the time the gas is inserted into the distribution system for delivery to customers. Customers who pay for the gas may leave the system and not receive the gas for which they were charged. Therefore, amounts in this account are more properly inventory costs. They should not be recovered through the purchased gas adjustment, but should be carried as inventory and recovered when the gas is withdrawn from storage.

However, the Commission finds that there are certain storage costs, not associated with accounts 823 or 842.1, that are properly recoverable through the purchased gas adjustment. Gas utilities that do not own their own storage facilities pay a FERC tariffed rate to lease storage from other entities. Part of the rate may include an allowance for normal losses. For instance, the rate may include a 1.5% loss allowance. Although associated with storage, this type of ordinary and normal cost does not go through account 823, used for gas losses, or through account 842.1, used for fuel in the operation of utility-owned storage.

These amounts are properly recoverable through the purchased gas adjustment because utilities may contract for this type of storage. Utilities can realize significant savings by purchasing inexpensive off-peak gas and storing it until peak times when gas is expensive. The savings are then passed on to their customers through the purchased gas adjustment.

Therefore, the Commission will modify subpart 12 by removing accounts 806, 807, 823, and 842.1, and by recognizing properly recoverable storage costs.

Modified subpart 12 will read:

> "Cost of purchased gas" is the cost of gas as defined by the Minnesota uniform system of accounts, class A and B gas utilities, including accounts 800, 801, 802, 803, 804, 804.1, 805, 805.1, 808.1, 809.1, 810, 854, and 858 for energy purchased, as provided by Code of Federal Regulations, title 18, part 201, as amended through April 1, 1988. These accounts are incorporated by reference. The cost of purchased gas also includes the normal and ordinary cost of injection and withdrawal of gas from storage at the time of withdrawal. All gas public utilities shall use this definition regardless of class.

The above modification is not a substantial change to the proposed rule. The subject matter of which costs to include in the cost of purchased gas was raised in the originally proposed rule as a proposed amendment. Therefore, the modification does not introduce significant new subject matter which a reasonable person, on the basis of the proposed rule as originally noticed, would not have anticipated would occur during the rulemaking proceeding. Moreover, the above modification does not make a major substantive change that was not raised by the proposed rule as originally noticed in such a way as to invite reaction because the appropriate costs were called into question by the proposed amendments. Finally, the modified rule affects the same class of persons as the originally proposed rule.

<u>Part 7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT, Subp. 2, New base gas cost.</u>

Proposed part 7825.2700, subp. 2 states:

> A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. **The base gas cost includes a commodity base cost and a demand base cost.** The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class. (Emphasis added.)

Base gas cost is defined in proposed part 7825.2400, subp. 4a as:

> Base gas cost is the cost of purchasing gas established in the base period and expressed as a cost per Mcf, Ccf, or Btu sold.

AG Processing requested in its comments that the proposed rule definition of base gas cost be changed by adding the following sentence:

> The base gas cost shall separately state the commodity base cost and the demand base cost components for each class.

AG Processing requested this change to ensure that the rule contained sufficient detail for a proper application of proposed part 7825.2700.

The Commission finds that the suggested language is necessary to clarify that demand and commodity detail by class is required in proposed part 7825.2700 to calculate the specified adjustments. Moreover, the suggested language is reasonable because it successfully expresses the intent of the rule.

However, the Commission finds that the suggested language more appropriately clarifies the filing requirements of proposed part 7825.2700, subp. 2, rather than the definition of base gas cost. Therefore, the Commission will remove the highlighted sentence quoted above from proposed part 7825.2700, subp. 2, and replace it with AG Processing's language.

Modified part 7825.2700, subp. 2, will state:

> A new base gas cost must be submitted as a miscellaneous rate change to coincide with the implementation of interim rates during a general rate proceeding. A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding. **The base gas cost shall separately state the commodity base cost and the demand base cost components for each class.** The base gas cost for each class is determined by dividing the estimated base period cost of purchased gas for each class by the estimated base period annual sales volume for each class. (Emphasis added.)

The above modification is not a substantial change to the proposed rule. As a clarification, it does not introduce significant new subject matter. Nor does it make a major substantive change. Finally, it does not affect a new class of persons.

7. The Commission adopts the Statement of Need and Reasonableness, in its entirety, as the factual basis for the proposed rules. The Commission hereby incorporates the Statement of Need and Reasonableness into these findings except as modified in Finding No. 6 above.

8. The Commission finds that additional modifications sought by the parties in their comments should not be made for the following reasons:

Part 7825.2830 ANNUAL FIVE-YEAR PROJECTION.

AG Processing in its comments stated that the proposed amendment to this rule should not be made. The proposed amendment replaces the requirement that gas utilities file annual five-year projections with a requirement that gas utilities file a brief statement every year. The annual statement must include a gas utility's opinion on the impact of market forces on gas costs for the coming year.

AG Processing objected to the proposed amendment because the problems identified in the Statement of Need and Reasonableness only applied to unregulated gas.

The Commission agrees with AG Processing that the Statement of Need and Reasonableness does emphasize the marketplace impact on gas costs as a reason for substituting an annual five-year projection for an annual opinion statement from the gas utilities.

However, page 19 of the Statement of Need and Reasonableness contains an additional reason for the proposed amendment:

> The companies typically use the same forecast agency to predict as the DPS uses to evaluate the accuracy of the prediction, so the projection actually provides no information which is not already available to the DPS and is very time-consuming for the companies to prepare. Since these forecasts can provide little meaningful information to the Commission, they should no longer be required.

The Commission finds that this reason applies to both regulated and unregulated gas. Unnecessary duplication of effort by the regulated and the regulators should be avoided where possible. Therefore, the Commission will adopt its proposed amendment to part 7825.2830.

Part 7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES, Subp. 3, Commission action.

This rule part does not contain proposed amendments. It corresponds to the current rule part 7825.2900. The Revisor's Office underlined the text of this rule part because of minor editorial changes and because the rule has been renumbered. Subpart 3 states:

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

AG Processing commented that Commission action should include refunds because some of the gas costs allowed in the proposed rules have not been reviewed by the Federal Energy Regulatory Commission (FERC) or by the Commission and, therefore, have not been presumed reasonable.

The Commission finds that subpart 2 of this rule requires utilities to refund the amount of any errors in calculating the adjustment plus interest. Therefore, the existing rules adequately protect utility customers without the modification suggested by AG Processing.

9. In addition to the four timely-filed written comments discussed above, Minnesota Power filed written comments with the Commission on May 1, 1989, and Minnegasco filed written response comments with the Commission on May 5, 1989.

The Commission finds that Minnesota Power's and Minnegasco's comments were untimely because they were filed after the 30-day comment period specified in the notice of rulemaking expired on April 26, 1989.

The Commission will not consider Minnesota Power's and Minnegasco's comments because it finds that it is not required by the Administrative Procedure Act, Minn.

Stat. chapter 14 (1988) to consider late-filed comments.

10. The above-captioned rule is needed and reasonable.

CONCLUSIONS

1. The Minnesota Public Utilities Commission duly acquired and has jurisdiction over this proceeding pursuant to Minn. Stat. §§ 216B.08, 216B.03, 216B.05, and 216B.16, subd. 7 (1988).

2. The Commission published and served due, timely, and adequate notice of the intent to adopt the rules without a public hearing.

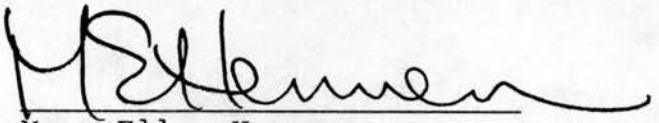
3. The Commission has complied with all relevant legal and procedural requirements of statute and rule.

4. The modifications to the proposed rules are supported by the record and do not result in a substantial change in the proposed rule.

ORDER

1. The Commission hereby adopts Minn. Rules, parts 7825.2390 to 7825.3000 governing Automatic Adjustment of Charges (1988).

BY ORDER OF THE COMMISSION



Mary Ellen Hennen
Executive Secretary

STATE OF MINNESOTA
OFFICE OF THE ATTORNEY GENERAL
PUBLIC UTILITIES COMMISSION

In the Matter of the Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000.

DOCKET NO. G-999/R-85-789

DECLARATION OF COUNSEL

I, Jon Kingstad, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rules and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules, ch. 2010 have been followed. For Attorney General billing purposes, the four-digit docket client code is 0729.

Jon Kingstad
Special Assistant
Attorney General

MINNESOTA public UTILITIES COMMISSION

August 28, 1989

TO: Advisory Task Force Members

FROM: Caroline Heil CH
(612) 296-9617

RE: Adopted Purchased Gas Adjustment Rule Amendments
Docket No. G-999/R-85-789

The Commission recently adopted the enclosed purchased gas adjustment rule amendments. The underlined text indicates modifications the Commission made to its originally proposed rules. The modifications are explained in the enclosed Findings of Fact, Conclusions and Order Adopting Rule Amendments.

Assuming the rules are approved by the rule review division of the Office of the Attorney General, the rules should take effect the second week in October, 1989. I will notify you of the exact date as soon as I know it.

Enclosures

cc: Participants Mailing List

AMERICAN CENTER building • kellogg AND ROBERT STS • SAINT PAUL, MN 55101

MINNESOTA public UTILITIES COMMISSION

August 28, 1989

Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000, Docket No. G-999/R-85-789.

Notice of Submission of Rule Adopted Without Public Hearing to the Attorney General

Pursuant to your request and in accordance with Minn. Stat. § 14.26 (1988):

PLEASE TAKE NOTICE that the above-captioned rules as adopted have been submitted to the Office of the Attorney General on this date, August 28, 1989, for review as to legality and form to the extent form relates to legality. The proposed rules, the rules as adopted, all the notices, the Statement of Need and Reasonableness, all written comments and requests for a hearing received, and other required documents also have been submitted to the Attorney General.

The proposed rules which were published in the State Register and made available to the public on March 27, 1989, have been modified. A copy of the modified rules and the Findings of Fact, Conclusions, and Order explaining the amendments and adopting the rules are enclosed.

The rules must be approved or disapproved by the Attorney General within 14 calendar days of the date of submission to the Attorney General. You may submit written comments to the Attorney General on the legality of the rules. Any written comments must be submitted within eight calendar days of the date of the submission of the rules to the Attorney General. Your comments must address only the issue of legality of the rules or the legality of the specific parts or subparts of the rules. The Attorney General standards for review are set forth in Minn. Rules, part 2010.1000. You may receive a copy of the Attorney General decision upon written request to the Attorney General. Your comments or requests for the decision must be directed to:

The Office of the Attorney General
515 Transportation Building
John Ireland Boulevard
St. Paul, MN 55155
Telephone: (612) 297-2040

Mary Ellen Hennen
Executive Secretary

AMERICAN CENTER building • kellogg and robert sts • saint paul, mn 55101

STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

In the Matter of Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000.	DOCKET NO. G-999/R-85-789 AFFIDAVIT OF MAILING NOTICE OF SUBMISSION OF RULE ADOPTED WITHOUT PUBLIC HEARING TO ATTORNEY GENERAL

STATE OF MINNESOTA)
) SS.
COUNTY OF RAMSEY)

Deborah A. Bastyr, being duly sworn, deposes and says:

That on the 28th day of August, 1989, at the City of St. Paul, County of Ramsey, State of Minnesota, she served the attached Notice of Submission of Rule Adopted Without Public Hearing to the Attorney General by depositing in the State of Minnesota Central Mail System or in the United States mail for first class mailing at said City of St. Paul, a copy thereof, properly enveloped, the postage prepaid, on all persons and associations who requested notice that the rules in the above-captioned matter have been submitted to the Attorney General.

Deborah A. Bastyr

Subscribed and sworn to before me
this 28 day of August, 1989.

Deborah J. Smith
Notary Public

DEBORAH J. SMITH
NOTARY PUBLIC—MINNESOTA
WASHINGTON COUNTY
MY COMM. EXPIRES MAY 26, 1991

PGA Task Force Mailing List
Docket No. G999/R-85-789

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Docket No. G999/R-85-789

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MINNESOTA public utilities COMMISSION

August 28, 1989

Ms. Christi Eller, Assistant Attorney General
Office of the Attorney General
515 Transportation Building
John Ireland Boulevard
St. Paul, MN 55155

Re: In the Matter of Proposed Rules Governing Automatic Adjustment of Charges, Minn. Rules, parts 7825.2390 to 7825.3000, Docket No. G-999/R-85-789.

Dear Ms. Eller:

On August 9, 1989, the Minnesota Public Utilities Commission adopted the above-captioned rules governing automatic adjustment of charges. Enclosed for your review are the following:

1. Rules as adopted (original and three copies).
2. Findings of Fact, Conclusions, and Order Adopting Rules.
3. Resolution Adopting Rules and Certificate of Resolution Adopting Rules.
4. Authorization to Proceed with Adoption of Rules Without Public Hearing and Certificate of Authorizing Resolution.
5. Notices of Intent to Solicit Outside Opinion (10 S.R. 1129, November 11, 1985, and 12 S.R. 1485, January 18, 1988).
6. Copies of comments received pursuant to Notices of Intent to Solicit Outside Opinion.
7. Copies of comments received from the Advisory Task Force members and other interested persons.
8. Notice of Intent to Adopt Rules Without a Public Hearing and rules as published (13 S.R. 2323, March 27 1989).
9. Comments received pursuant to Notice of Intent to Adopt Rules Without a Public Hearing.
10. Notice of Intent to Adopt Rules Without a Public Hearing, as mailed.
11. Affidavit of Mailing the Notice of Intent to Adopt Rule Without a Public Hearing and Certificate of Mailing List.

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12. Rules as proposed with the Revisor of Statutes Certificate of Approval for publication.

13. Statement of Need and Reasonableness.

14. Declaration of Counsel.

15. Notice of Submission of Rule Adopted Without Public Hearing to the Attorney General.

16. Affidavit of Mailing of Notice of Submission of Rule Adopted Without Public Hearing to the Attorney General.

Very truly yours,

Caroline Heil

Caroline Heil
Rules Attorney
(612) 296-9617

cc: Rick Lancaster
Lee Larson
Jon Kingstad