

CHAPTER 7825
PUBLIC UTILITIES COMMISSION
UTILITIES REGULATORY REQUIREMENTS

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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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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.

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. [Repealed, 14 SR 977]

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 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.

[For text of subps 7 to 11, see M.R.]

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, 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.

[For text of subp 13, see M.R.]

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 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. [Repealed, 14 SR 977]

[For text of subp 15, see M.R.]

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

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

[For text of subps 16 and 17, see M.R.]

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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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:

[For text of item A, see M.R.]

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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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 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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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 must 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.

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, 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.

Subp. 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 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.

Statutory Authority: *MS s 216B.08; 216B 16*

History: *14 SR 977*

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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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;

[For text of item C, see M.R.]

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

[For text of items E to G, see M.R.]

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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

7825.2830 ANNUAL FIVE-YEAR PROJECTION.

By September 1 of each year, electric utilities shall 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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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. [Repealed, 14 SR 977]

Subp. 3. [Repealed, 14 SR 977]

Subp. 4. [Repealed, 14 SR 977]

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

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.

Statutory Authority: *MS s 216B.08; 216B.16*

History: *14 SR 977*

7825.3000 [Repealed, 14 SR 977]