

1 Public Utilities Commission

2

3 Adopted Permanent Rules Relating to Purchase Gas Adjustment

4 Charges

5

6 Rules as Adopted

7 7825.2390 PURPOSE.

8 The purpose of parts 7825.2390 to 7825.2920 is to enable
9 regulated gas and electric utilities to adjust rates to reflect
10 changes in the cost of energy delivered to customers from those
11 costs authorized by the commission in the utility's most recent
12 general rate case. Energy costs included in rate schedules are
13 subject to evidentiary hearings in general rate cases filed by
14 the utility. Proposed energy cost adjustments must be submitted
15 to the Department of Public Service. Annual evaluations of
16 energy cost adjustments are made by the Department of Public
17 Service and others as provided for in parts 7825.2390 to
18 7825.2920.

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

23 7825.2400 DEFINITIONS.

24 Subpart 1. **Scope.** The terms used in parts 7825.2390 to
25 7825.2920 have the meanings given them in this part.

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

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

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

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

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

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

12 Subp. 6. [See Repealer.]

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

14 Subp. 6b. Commission. "Commission" means the Public
15 Utilities Commission.

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

18 Subp. 6d. Commodity-delivered gas cost.

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

29 Subp. 7. to 11. [Unchanged.]

30 Subp. 12. Cost of purchased gas; incorporation by
31 reference. "Cost of purchased gas" is the cost of gas as
32 defined by the Minnesota uniform system of accounts, class A and
33 B gas utilities, including accounts 800, 801, 802, 803, 804,
34 804.1, 805, 805.1, ~~806, 807,~~ 808.1, 809.1, 810, ~~823, 842-1,~~ 854,
35 and 858 for energy purchased, as provided by Code of Federal
36 Regulations, title 18, part 201, as amended through April 1,

1 1988. These accounts are incorporated by reference. The cost
2 of purchased gas also includes the normal and ordinary cost of
3 injection and withdrawal of gas from storage at the time of
4 withdrawal. All gas public utilities shall use this definition
5 regardless of class.

6 Subp. 13. [Unchanged.]

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

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

20 Subp. 13c. Department. "Department" means the Department
21 of Public Service.

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

25 Subp. 14. [See Repealer.]

26 Subp. 15. [Unchanged.]

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

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

29 Subp. 16. and 17. [Unchanged.]

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

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

1 7825.2500 APPLICABILITY AND TYPES OF AUTOMATIC ADJUSTMENT OF
2 CHARGES.

3 The commission shall permit the filing of rate schedules
4 containing provisions for the automatic adjustment of charges
5 provided the provisions conform to parts 7825.2600 to
6 7825.2920. Parts 7825.2390 to 7825.2920 are applicable to all
7 classes of public utilities.

8 Provisions for automatic adjustment of charges must
9 encompass:

10 A. [Unchanged.]

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

16 7825.2600 ELECTRIC ENERGY ADJUSTMENT.

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

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

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

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

1 adjustment to charges must be made in the next complete billing
2 period succeeding the determination of the adjustment per Kwh,
3 provided the adjustment has been filed as defined by part
4 7825.2900. The adjustment factor must be calculated monthly.
5 However, a self-billing utility may calculate the adjustment
6 less frequently, upon commission approval but at least annually,
7 and shall provide for a settlement procedure. The adjustment
8 must be applied each month. The adjustment amount must be
9 rounded such that the projected recovery is within two percent
10 of the change in total cost.

11 7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT.

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

15 The amount of the billing period adjustment to charges must
16 be determined by applying an adjustment per Mcf, Ccf, or Btu to
17 Mcf, Ccf, or Btu sales in the billing period. The adjustment
18 per Mcf, Ccf, or Btu or the amount of the adjustment must be
19 stated on the customer's bill to comply with parts 7820.3500 and
20 7820.3600.

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

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

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

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

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

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

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

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

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

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

33 7825.2800 ANNUAL REPORTS; POLICIES AND ACTIONS.

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

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

4 7825.2810 ANNUAL REPORT; AUTOMATIC ADJUSTMENT CHARGES.

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

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

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

16 C. [Unchanged.]

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

20 E. to G. [Unchanged.]

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

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

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

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

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

34 7825.2830 ANNUAL FIVE-YEAR PROJECTION.

35 By September 1 of each year, electric utilities shall

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

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

7 FILING FOR AUTOMATIC ADJUSTMENT OF CHARGES

8 7825.2900 FILING BY ELECTRIC UTILITIES.

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

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

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

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

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

22 7825.2910 FILING BY GAS UTILITIES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 7825.2920 APPROVAL FOR AUTOMATIC ADJUSTMENT OF CHARGES.

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

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

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

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

11

12 IMPLEMENTATION. Existing variances to parts 7825.2500,
13 7825.2700, 7825.2810, and 7825.2900 in effect on the effective
14 date of these amendments to parts 7825.2390 to 7825.3000, are
15 modified to eliminate conflicts with parts 7825.2390 to
16 7825.2920, as amended, on and after the effective date of these
17 amendments.

18

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

23

24 REPEALER. Minnesota Rules, parts 7825.2400, subparts 6 and
25 14; 7825.2900, subparts 2, 3, and 4; and 7825.3000, are repealed.