

Overview of Interim Rates

Before the
House Energy Finance and Policy
Division
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By the
Minnesota Public Utilities Commission

1

Statutory Responsibilities of the Public Utilities Commission

- Ensure safe, adequate, and reliable services at fair and reasonable rates (Mn. Stat. Chapters 216A, 216B and 237).
- As of 2005: approval of sites or routes of large energy facilities: (Mn. Stat. Chapters 216E, 216F & 216G).
- Foster effective competition in Minnesota for telephone services (Mn. Stat. Chapter 237)

2

Utility Rate-making

- The Commission establishes overall utility rate levels and rate design in a general rate case.
- Changes in tariffs or services which do not require analysis of overall utility revenues may be examined in miscellaneous dockets.
- In addition, rate riders allow recovery of costs outside of a rate case. There are 20 types of rate riders allowed by Minnesota law.

3

Rate Case Procedures

Minn. Stat. §216B.16:

- Utilities decide when to file a rate case
- PUC has 60 days after a rate case filing to:
 - Suspend utility's proposed rate change
 - Determine if the filing is complete
 - Set the matter for contested case hearing
 - Establish interim rates
- PUC decision on merits of the rate case due within 10 months of the filing

4

Interim Rates

Minn. Stat. §216B.16, subd. 3:

- The commission **shall** order an interim rate schedule into effect not later than 60 days after the filing date.

- The Commission shall order the interim rate schedules *ex parte* without a public hearing.

5

Interim Rates

Minn. Stat. §216B.16, subd. 3:

- Unless the Commission finds *exigent circumstances*, interim rates shall use the costs the utility proposes in the rate case, with the following limitations:
 - Rate base & expense items of the same nature and kind as allowed in the last rate case
 - Return on equity authorized in most recent previous rate case; and
 - No change in rate design.

6

Interim Rates <> Final Rates

- Interim rates are collected subject to refund.
- If final rates are *less* than interim, the utility must refund the difference to its customers.
- If final rates are *higher* than interim, the utility may not collect the difference from customers for the period prior to the PUC's final order, but may do so for the time between the final order and when new rates are implemented.

7

Interim Rates - **Pros** and **Cons**

- Reduces "regulatory lag." (The period of time between when costs are incurred and implementation of rates to reflect those costs.)
- Affect on utility earnings and financing costs.
- Ratepayers receive refunds with interest if final rates less than interim.

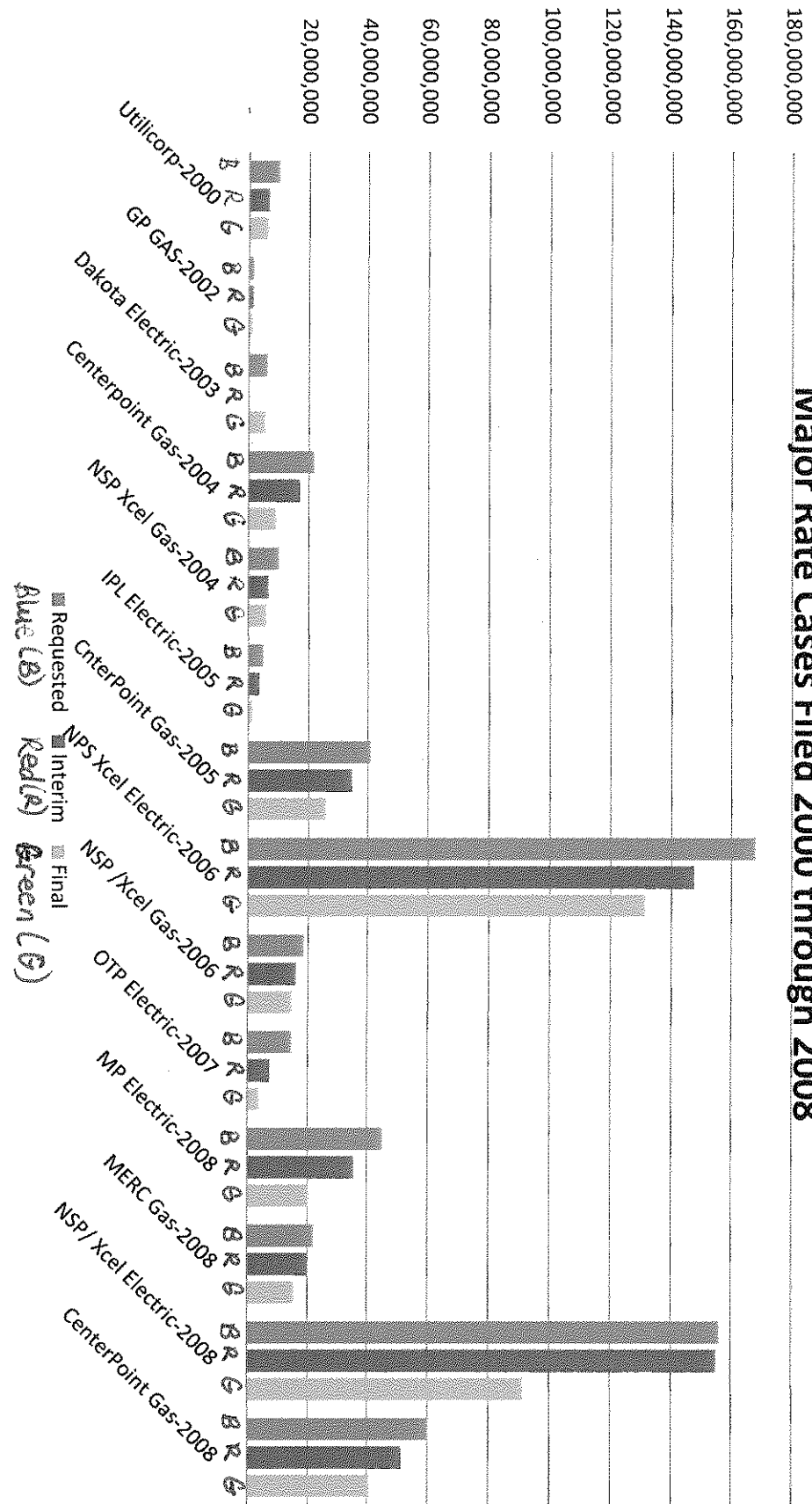
8

Interim Rates - Pros and **Cons**

- Utilities control when they file rate cases.
- Use of forecasted test years helps off-set "regulatory lag."
- Many types of costs can be recovered through rate riders outside of rate cases.
- Ratepayers generally pay higher rates in the interim than the final rates allowed by the PUC.

Requested/Interim/Final

State of Minnesota
Major Rate Cases Filed 2000 through 2008



Granted as a % of Requested

State of Minnesota

Average Major Rate Cases Filed from 2000 through 2008
Composite of Rate Request vs Final Allowed

