MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	August 22, 2019	Agenda Item 1*
Company	Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co. (GP, Great Plains, Company)	
Docket No.	**G-004/M-19-198**	
	In the Matter of the Petition of Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., for Approval of its Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 2 of its Pilot Program	
Issues	Should the Commission accept Great Plains' second annual revenue decoupling report for the calendar year evaluation period ended December 31, 2018 and approve Great Plains' revenue decoupling rate adjustments?	

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✓ **Relevant Documents**	**Date**
Docket No. G-004/GR-15-879	
PUC – Order Accepting Decoupling Report as Modified, and Providing Instructions for Future Reports	February 7, 2019
PUC Staff Briefing Papers on Department of Commerce Request for a Show Cause Order (dated Feb. 28, 2019 for meeting on Mar. 5, 2019)	March 5, 2019
PUC – Order Approving Refund	March 29, 2019

Relevant Documents	**Date**
Docket No. G-004/M-19-198	
Great Plains – Revenue Decoupling Mechanism Rate and Decoupling Evaluation Report for Year 2 of Pilot Program (TS)	March 1, 2019
Great Plains – Revenue Decoupling Mechanism Rates Update	March 8, 2019
Department of Commerce – Comments	June 3, 2019
Great Plains – Reply Comments	June 13, 2019

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I. Statement of the Issues

Should the Commission accept Great Plains' second annual revenue decoupling report for the calendar year evaluation period ended December 31, 2018 and approve Great Plains' revenue decoupling rate adjustments?

II. Background

On September 30, 2015, in its 2015 application for a general increase in rates (the 2015 rate case),[1] Great Plains proposed a three-year, full revenue decoupling mechanism (RDM) as a pilot program with no upward or downward cap on rate adjustments (i.e., symmetrical, with no caps on the rate adjustments).[2]

On September 6, 2016, in Ordering point 26 in the Commission's 2015 rate case Order,[3] the Commission approved a three-year pilot full revenue decoupling program for Great Plains that included an asymmetrical cap, i.e. there is no cap on how much can be refunded.

On December 22, 2016, as part of the Commission's Order in the rate case,[4] Great Plains was authorized to implement final rates effective January 1, 2017. Additionally, Great Plains was ordered to submit final tariff sheets that incorporate the Commission's decision.

On January 3, 2017, Great Plains submitted its Final Rates Compliance Filing.[5] Consistent with the December 22, 2016 Order, this filing included final tariff sheets. Final rates that were implemented on January, 1, 2017. This compliance filing included Section 5 Original Sheet Nos. 125-126 which were revised to reflect the time periods of the pilot revenue decoupling program and its first annual evaluation report.

On December 1, 2017, Great Plains submitted its first annual evaluation report (Report) for its pilot revenue decoupling program. This report's evaluation period (Evaluation Period) was from October 1, 2016 through September 30, 2017.

On February 7, 2019, the Commission issued its *Order Accepting Decoupling Report as Modified, and Providing Instructions for Future Reports*. The February 7, 2019 Order accepted Great Plains' 2017 revenue decoupling report, but modified the decoupling adjustments to reflect the calendar-year period of January 1, 2017 to December 31, 2017 and the requirement that Great Plains incorporate a new customer that was previously excluded. Additionally, the Commission permitted Great Plains to continue to adjust its sales data to reflect normal

[1] Docket G-004/GR-15-879.

[2] Aberle Direct, pages 23-29.

[3] Docket G-004/GR-15-879, Commission Order - Findings of Fact, Conclusions and Order, September 6, 2016.

[4] Docket G-004/GR-15-879, Commission Order - Order Approving Final Revenue Apportionment and Rate Design, Updated Base Cost of Gas and Interim-Rate Refund Plan, December 22, 2016.

[5] Docket G-004/GR-15-879, Great Plains, Final Rates Compliance Filing.

weather calculated over a period of 30 years. Finally, the Commission ordered GP to do the following in future annual decoupling reports:

- Develop its report to reflect data from the prior calendar year.
- File its reports by March 1 of the year following the period evaluated—for example, by March 1, 2019, for calendar year 2018.
- Initiate a new docket when filing an evaluation report.

On March 1, 2019, Great Plains filed its Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 2 (calendar-year 2018) of the RDM Pilot Program.

On March 5, 2019, at its agenda meeting (and in a March 29 Order subsequent to the meeting), the Commission decided to require Great Plains to refund $54,456 to ratepayers due to the omission of a large customer from Great Plains' 2015 rate case and to effect this refund through an amendment to the Company's 2019 RDM filing.[6]

On March 8, 2019, Great Plains filed its "Revenue Decoupling Mechanism Rates Update" reflecting the Commission's Decision Options 1, 4, and 7 as presented in the Staff's Briefing Papers.[7] The data and RDM rates were updated to include a previously excluded customer and to include the 2016 revenue refund of $54,456 as required in the pending order.

On June 3, 2019, the Department submitted comments recommending that the Commission approve the RDM factors and proposed tariff language as presented in Great Plains' March 8, 2019 updated filing and also recommended allowing the Company to continue its RDM Pilot for calendar year 2019.

On June 13, 2019, Great Plains filed reply comments agreeing with the Department's comments and re-affirming the Company's commitment to promote its CIP program.

III. Relevant Statutes

Minn. Stat. §216B.2412, Decoupling of Energy Sales from Revenues

According to Minn. Stat. §216B.2412, the objective of revenue decoupling is to:

A. Reduce Great Plains' disincentive to promote energy efficiency by making the Company's revenue less dependent on energy sales.

B. Achieve energy savings, and

C. Not harm ratepayers.

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[6] Docket G-004/GR-15-879, Order Approving Refund, March 29, 2019.

[7] Docket G-004/GR-15-879, Briefing Papers – March 5, 2019 Agenda, February 28, 2019, Page 9.

IV. Parties' Comments

Staff Note: Great Plains filed its Decoupling Evaluation report, as required, on March 1, 2019. However, since the Company is not required to file its CIP Status Report until May 1, 2019[8], this means that Great Plains was unable to include 2018 CIP results for comparison to decoupling. The Department performed its analysis after May 1 and was able to include 2018 CIP results. For this reason alone, these briefing papers tend to include the Department's analysis and exhibits rather than the Company's exhibits.

A. Great Plains – Petition

On March 1, 2019, Great Plains submitted its Year 2 full decoupling Evaluation Report for the period of January 1, 2018 through December 31, 2018.

1. Revenue Accrued and Collected Under Full Revenue Decoupling

The revenue decoupling mechanism authorized for Great Plains' pilot program compares actual non-gas revenue to the Designed Revenue for the period to determine the gross adjustment amount by rate class. Designed Revenue is defined as the product of the greater of the actual or authorized customer counts multiplied by the authorized margin per customer for that month. Determining Designed Revenue in this manner allows for the authorized non-gas margin to adjust for customer growth and protects against unintended consequences of the pilot that can arise if customer counts decline. When actual revenue exceeds Designed Revenue, this indicates an amount is owed as a refund to customers. When Designed Revenue exceeds actual revenue, this indicates a surcharge amount is due to Great Plains from its customers. As authorized in Docket No. G-004/GR-15-879, decoupling adjustments are also evaluated against each customer class' ten percent of Designed Revenues (for surcharges only) revenue cap. There are no caps on refunds.

On March 8, 2019, Great Plains filed its "Revenue Decoupling Mechanism Rates Update" reflecting the Commission's decision at its March 5, 2019 meeting as presented in Decision Alternatives 1, 4, and 7 in the Staff's Briefing Papers and as reflected in the Commission's March 29, 2019 Order Approving Refund. The data and RDM rates were updated to include a previously excluded customer and to include the 2016 revenue refund of $54,456 as required in the March 29, 2019 Order.

The net decoupling balance due to customers is $903,612 - inclusive of the prior period adjustments. The rate classes will be refunded or surcharged as necessary on a per Dth basis beginning April 1, 2019 based on forecasted volumes for the period April 1, 2019 through March 31, 2020.

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[8] Docket No G-004/M-19-287, April 26, 2019.

2. Evaluation of Great Plains' Commitment to Increased Energy Savings

Great Plains noted that this is the first evaluation report that reflects a full year of post-decoupling CIP expenditures and energy savings. The pre-decoupling baseline period for comparison is defined as the 2013-2015 CIP Triennial plus the 2016 extension.

Great Plains stated that it is committed to energy efficiency and constantly "strives to meet or exceed its annual energy savings goal. The Company explained that it is a small natural gas company with very low new customer growth. Despite this, Great Plains asserts that it offers a "robust and comprehensive portfolio of efficiency programs and continuously seeks to it improve its CIP offerings to achieve more energy savings and meet customer's needs".[9]

B. Department of Commerce Comments

1. Introduction

The Department's review and analysis of Great Plains' Year 2 revenue decoupling model evaluation included the following:

- Great Plains' history of energy conservation and CIP data (2013-2016);
- the Company's overall energy savings during the pre-decoupling period compared to the post-decoupling period of calendar years 2017 and 2018;
- Great Plains' collection of revenues under the revenue decoupling model pilot program; and
- the RDM pilot's impact on customer rate over the recovery period from April 1, 2019 to March 31, 2020.

This second year report presents the first opportunity to compare pre-decoupling energy savings to post-decoupling (calendar years 2017 and 2018).

2. Proposed Decoupling Adjustments

Calendar year 2018 is the evaluation period Great Plains used to track non-gas revenues for all its rate classes and only excluded sales and revenues associated with its CIP exempt and flexible rate customers.

Great Plains did note that a Rate S82 customer moved to a flexible rate contract on January 1, 2018. This caused Great Plains to modify its actual revenues for this class since this customer was included in the test year but was then receiving service at a lower, negotiated rate. The Company stated that without an adjustment any shortfall for this customer would be fully recovered through the RDM adjustment.[10] The Department reviewed GP's adjustment and determined it to be reasonable and appropriate.

Table 1, below, shows Great Plains proposed decoupling adjustments modified to include the correction for the former Rate S82 customer.

[9] Great Plains Petition, March 1, 2019, page 32.

[10] GP Petition, March 1, 2019, pages 10-11, detailed calculation included in page 9 of Attachment A

Table 1: Great Plains' Proposed Decoupling Adjustments[11]

Rate Class	Decoupling Adjustment Balance Calendar Year 2018	Cap Adjust	Under/(Over) Prior Period Adjustment	Adjustment for Omitted Customer	Net Balance
Residential Rate – N60	($94,696)	$0	($155,471)	($13,394)	($263,561)
Residential Rate – S60	($116,591)	$0	($108,779)	($12,735)	($238,105)
Firm General – N70	($32,236)	$0	($77,949)	($7,496)	($117,681)
Firm General – S70	$13,460	$0	($60,097)	($8,730)	($55,367)
Small Interruptible – N71 & N81	($29,879)	$0	($27,218)	($3,538)	($60,635)
Small Interruptible – S71 & S81	$7,817	$0	($39,596)	($3,486)	($35,265)
Large Interruptible – N85 & N82	($35,194)	$0	($106,966)	($2,615)	($144,775)
Large Interruptible – S85 & S82	($41,588)	$0	$55,827	($2,462)	$11,777
Total Under/(Over) Collection	**($328,907)**	**$0**	**($520,429)**	**($54,456)**	**($903,612)**

As shown, with the exception of the Firm General S70 and Small Interruptible S71 & S81 rate classes, Great Plains over-recovered authorized revenues. Since the under-recoveries for the other rate classes were each below ten percent, there were no adjustments to the surcharge amounts.

The Department verified that the RDM adjustment calculations were accurate and that Great Plains correctly implemented both the Commission's February 7 Order and March 29 Order in Docket No. G-004/GR-15-879. The Department also verified that the rate calculations and tariff sheets provided by the Company are accurate and recommended that the Commission approve the RDM rates in the March 9, 2019 updated Evaluation Report.

[11] DOC Comments, June 3, 2019, page 4.

3. History of Revenue Collection and Use per Customer

Table 2 below, shows Great Plains' under (over) recovery for 2018 (Year 2) of its RDM Evaluation Report.[12]

Table 2: Revenue Collection and Use per Customer (part 1 of 2)

Customer Class	Actual Customer Count	Authorized Customer Count	Actual Revenues	Designed Revenues	Actual Rev/ Customer	Authorized Rev/ Customer
Residential - N60	8,563	8,499	$2,164,373	$2,069,677	$243.52	$252.76
Residential – S60	10,360	10,337	$2,296,646	$2,180,055	$210.90	$221.68
Firm General – N70	1,266	1,271	$1,189,054	$1,156,818	$910.16	$939.22
Firm General – S70	1,790	1,732	$1,548,297	$1,561,757	$901.71	$864.97
Small IT – N71 & N81	63	72	$595,354	$565,475	$7,853.82	$9,450.06
Small IT – S71 & S81	64	72	$555,953	$563,770	$7,830.14	$8,686.77
Large IT – N85 & N82	5	5	$281,769	$246,575	$49,315.00	$56,353.80
Large IT – S85 & S82	7	7	$525,705	$484,117	$69,159.57	$75,100.71

Table 2: Revenue Collection and Use per Customer (part 2 of 2)

Customer Class	Non-Gas Margin Cap	Calendar Year 2018 Net Under(Over)		10% Cap	Decoupling Revenue	Under(Over) Prior Pd. Adj.*	Net Balance
Residential - N60	$2,069,677	($94,696)	(4.58%)	N/A	($94,696)	($155,471)	($250,167)
Residential – S60	$2,180,055	($116,591)	(5.35%)	N/A	($116,591)	($108,779)	($225,370)
Firm General – N70	$1,156,818	($32,236)	(2.79%)	N/A	($32,236)	($77,949)	($110,185)
Firm General – S70	$1,561,757	$13,460	0.86%	156,176	($13,460)	($60,097)	($46,637)

[12] DOC Comments, June 13, 2019, Table 5, page 15. This data was derived both from GP's Attachment A in its Petition and Exhibit B in its updated filing.

Customer Class	Non-Gas Margin Cap	Calendar Year 2018 Net Under(Over)		10% Cap	Decoupling Revenue	Under(Over) Prior Pd. Adj.*	Net Balance
Small IT – N71 & N81	$565,475	($29,879)	(5.28%)	N/A	($29,879)	($27,218)	($57,097)
Small IT – S71 & S81	$563,770	$7,817	1.39%	56,377	($7,817)	($39,596)	($31,779)
Large IT – N85 & N82	$246,575	($35,194)	(14.27%)	N/A	($35,194)	($106,966)	($142,160)
Large IT – S85 & S82	$484,117	($41,588)	(8.59%)	N/A	($41,588)	($55,827)	($14,239)

The Calendar Year 2018 Net Under(Over) amounts were calculated by subtracting actual revenue per customer (RPC) by rate class from the authorized revenue per customer (excluding CIP) by rate class as required in Great Plains' most recent rate case.[13]

The Department explained that weather conditions during the 2018 calendar year (the evaluation period) were colder than usual, which caused an over-recovery of revenue for most of the rate classes. The Company did under-recover from its Firm General and Small Interruptible rate classes in its South Districts.

Regarding the 10% cap, the Department observed that only one class had an over-recovery in excess of 10% and, since refunds are not subject to the cap, this had no impact. Of the two under-recoveries, neither was limited by the 10% cap.

Table 3, below, shows the RDM factors and decoupling revenues that the Company has proposed to recover from its ratepayers.

Table 3: Per-Therm Surcharges or (Refunds) by Rate Class[14]

Customer Class	**RDM Factor**	**Decoupling Revenue**
Residential – N60	($0.3816)	($263,561)
Residential – S60	($0.3050)	($238,105)
Firm General – N70	($0.2312)	($117,681)
Firm General – S70	($0.0742)	($55,367)
Small IT – North	($0.1360)	($60,635)
Small IT – South	($0.0896)	($35,265)
Large IT – North	($0.4005)	($144,775)
Large IT – South	$0.0151	$11,777
Total Net Decoupling Revenue		**($903,612)**

[13] Docket No. G-004/GR-15-879.

[14] DOC Comments, June 13, 2019, Table 6, page 16.

The numbers shown in the table represent totals from combining the current evaluation period with prior period collections and the refund amounts from the Commission's *March 29 Order*.[15] The Department stated that it reviewed the spreadsheets provided by Great Plains' response to discovery and concluded that the numbers are reasonable.

Table 4, below, presents the monthly average surcharge or (refund) expected for customer classes from information provided by Great Plains in Exhibit B of its updated Evaluation Report.[16]

Table 4: Monthly Average Surcharge or (Refund) for an Average Customer by Class[17]

Customer Class	Decoupling Adjustment	Average Monthly Use in Dth	Average Monthly Cost or (Refund)
Residential – N60	($0.3816)	6.7	($2.56)
Residential – S60	($0.3050)	6.3	($1.92)
Firm General – N70	($0.2312)	33.3	($7.70)
Firm General – S70	($0.0742)	35.3	($2.26)
Small IT – North	($0.1360)	530.7	($72.18)
Small IT – South	($0.0896)	449.5	($40.28)
Large IT – North	($0.4005)	5,020.5	($2,010.71)
Large IT – South	$0.0151	10,804.5	$163.15

4. Department Analysis of Great Plains' Energy Savings

a. Introduction

Minnesota Statutes § 216B.241, Subdivision 3 states (in part):

> Subd. 3. Pilot programs. . . . Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings. . . . A pilot program may not exceed three years in length. Any extension beyond three years can only be approved in a general rate case, unless that decoupling program was previously approved as part of a general rate case.

The Department stated that this is the first Evaluation Report that allows comparison of pre-decoupling and post-decoupling conservation to analyze the relative success of Great Plains' RDM Pilot. The Department observed that this is important given the Commission's Order Point No. 26.C. in its September 6, 2016 Order in Docket No. G-004/GR-15-879 which states:

> The Commission asked the Department, in Great Plains' next rate case, to propose an appropriate minimum level of energy savings that the utility should

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15 Docket No. G-004/GR-15-879, Order, March 29, 2019.

16 Great Plains Revenue Decoupling Mechanism Rates Update, March 8, 2019, Exhibit B, page 3.

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achieve before Great Plains could qualify to implement a revenue decoupling surcharge.

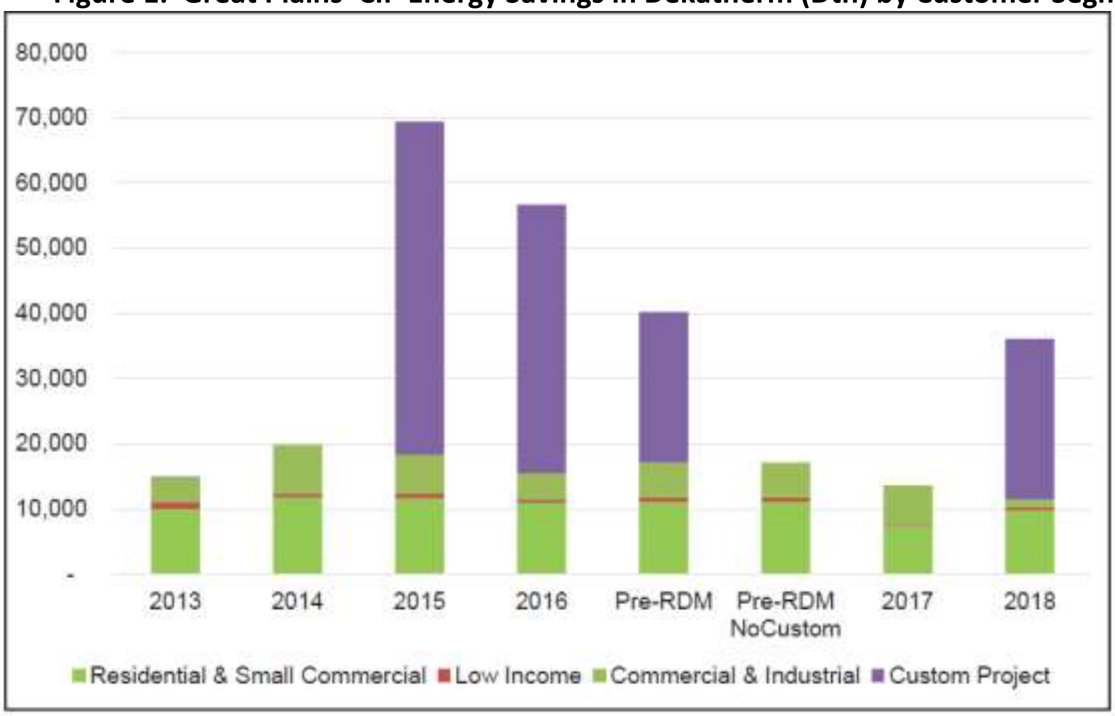
b. Level of Energy Savings

Energy savings are presented as either *first-year* or *lifetime* and will be clearly labeled as such in the data and discussion presented below.

The Department stated that, although there have been two full calendar years since implementation of the RDM Pilot, the evaluation report included energy savings data for calendar year 2017. The Department data and analysis also includes CIP data for calendar year 2018 which was filed by Great Plains on April 26, 2019.[18]

Figure 1, below, shows Great Plains' annual energy savings from 2013-2018, with pre-decoupling average calculated for the period from 2013-2016. The Department noted that the Company's entire pre-decoupling period is after the implementation of the 2007 Next Generation Energy Act which, generally, set the CIP program energy saving goals at 1.5 percent of retail sales annually.[19]

Figure 1: Great Plains' CIP Energy Savings in Dekatherm (Dth) by Customer Segment[20]



[18] Docket No. G-004/M-19-287, Great Plains' Filing, April 26, 2019.

[19] Docket No. G-004/CIP-16-121.02, DOC Decision, November 3, 2016, page 7. Staff notes that the Department's Deputy Commissioner set Great Plains' annual minimum savings goal for 2017-2019 to be 1.0 percent of average weather-normalized baseline 2013-2015 sales in Minnesota. The 2017-2019 CIP Triennial Plans were extended through 2020 per Deputy Commissioner Decision, April 11, 2019.

[20] DOC Comments, June 13, 2019, Figure 1, page 7.

Table 5, below, shows the underlying data for Figure 1, above. The Department noted that 2015 had the highest level of Custom Projects and that Custom Projects have been highly variable with a large impact on annual savings. Great Plains' energy savings haven't improved since the implementation of the RDM pilot and, when Custom Projects are removed, overall savings have gone down in both 2017 and 2018 compared to average savings in the pre-decoupling period.

Table 5: Great Plains' Historical First-Year CIP Energy Savings (Dth) for Residential, Low-Income Residential, and Commercial and Industrial Customer Classes[21]

Year/Period	Residential & Small Commercial	Low Income	Commercial & Industrial	Custom Project	Non-Custom Savings	Overall Program
2013	10,010	1,073	3,705	181	14,788	14,969
2014	11,751	561	7,476	0	19,788	19,788
2015	11,610	649	6,066	51,068	18,325	69,393
2016	10,991	467	4,024	41,187	15,482	56,669
Pre-Decoupling Avg. (2013-2016)	11,091	688	5,318	23,109	17,096	40,205
2017	7,387	250	5,940	0	13,577	13,577
2018	9,817	422	1,198	24,646	11,437	36,083

Table 6, below, shows Great Plains' CIP energy savings as a percent of weather-normalized retail sales. As shown, first year energy savings have never reached the 1.5 percent of retail sales goal in the CIP statute, either before or after GP's revenue decoupling pilot.

Table 6: Great Plains' CIP Energy Savings as a Percent of Weather Normalized Sales[22]

CIP Plan Period	Year	Applicable 3-year Average Weather Normalized Sales (Dth)	Annual Energy Savings (Dth)	Energy Savings as a % of Sales
2013-2015 Triennial Period	**2013**	5,570,068	14,969	0.27%
	2014	5,570,068	19,788	0.36%
	2015	5,570,068	69,393	1.25%
Extension of 2013-2015 Triennial	**2016**	5,570,068	56,669	1.02%
2017-2019 Triennial Period	**2017**	5,580,608	13,577	0.24%
	2018	5,580,608	36,083	0.65%

The Department states that it is troubled by GP's lack of improvement in energy savings since the implementation of the RDM pilot. Although decoupling does not directly lead to energy conservation, the statute governing pilot decoupling programs[23] directs the Commission to "assess the merits of a rate-decoupling strategy to promote energy efficiency and

[21] *Ibid*, Table 2, page 7.

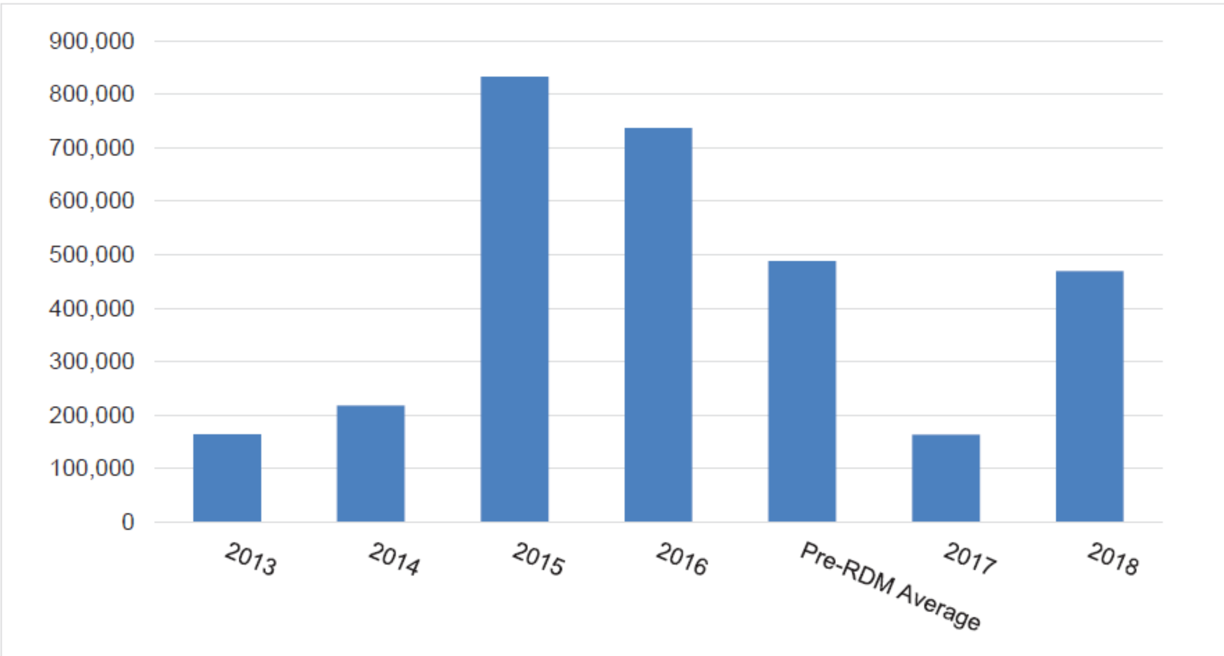
[22] *Ibid*, Table 3, page 8.

[23] Minnesota Statute § 216B.2412, Subd. 3.

conservation". The Department plans to monitor the next evaluation report for an increase in energy savings.

Figure 2, below, shows lifetime energy savings through CIP programs. The Department points out that there were strong increases in 2015 and 2016 and a rebound in 2018, all likely due to increases in custom project savings.

Figure 2: Great Plains' Lifetime Energy Savings (Dth) Created Through Annual CIP Achievements[24]



The Department put the savings into context by stating that the Company's average residential customer uses about 76.4 Dth per year; therefore, the 469,079 Dth saved in 2018 was enough natural gas to provide service to about 6,140 residential customers for a year.

[24] DOC Comments, June 13, 2019, Figure 2, page 9.

c. Energy Savings Expenditures

Figure 3, below, shows the Company's recent history of CIP expenditures by customer segment.

Figure 3: Great Plains' Annual CIP Expenditures by Customer Segment[25]

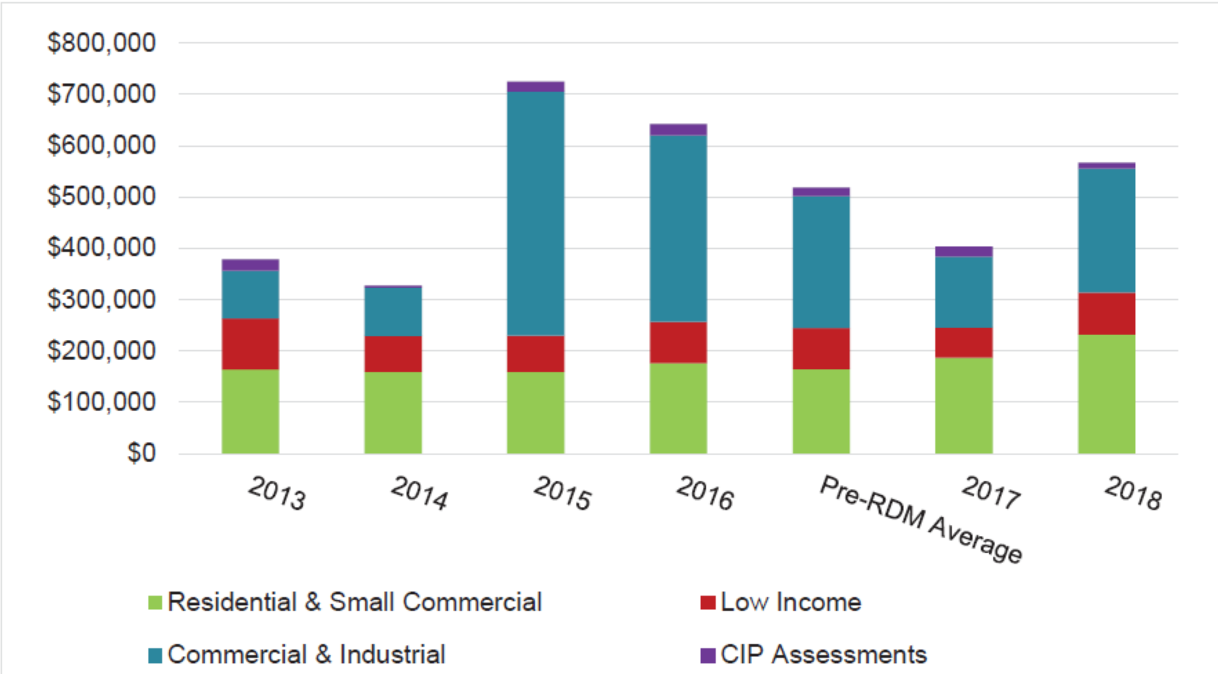


Table 7, below, shows the data that is the basis for Figure 3, above. The Department characterized that data as mixed in regard to Great Plains' expenditure commitment to energy savings. The 2015 and 2016 expenditures were the highest over the time period, while CIP expenditures in 2017 were below the pre-decoupling average. 2018 CIP expenditures were about $50,000 (or approximately 9.34 percent) above the pre-decoupling average.

Table 7: Great Plains' CIP Expenditures by Customer Segment (2013-2018)[26]

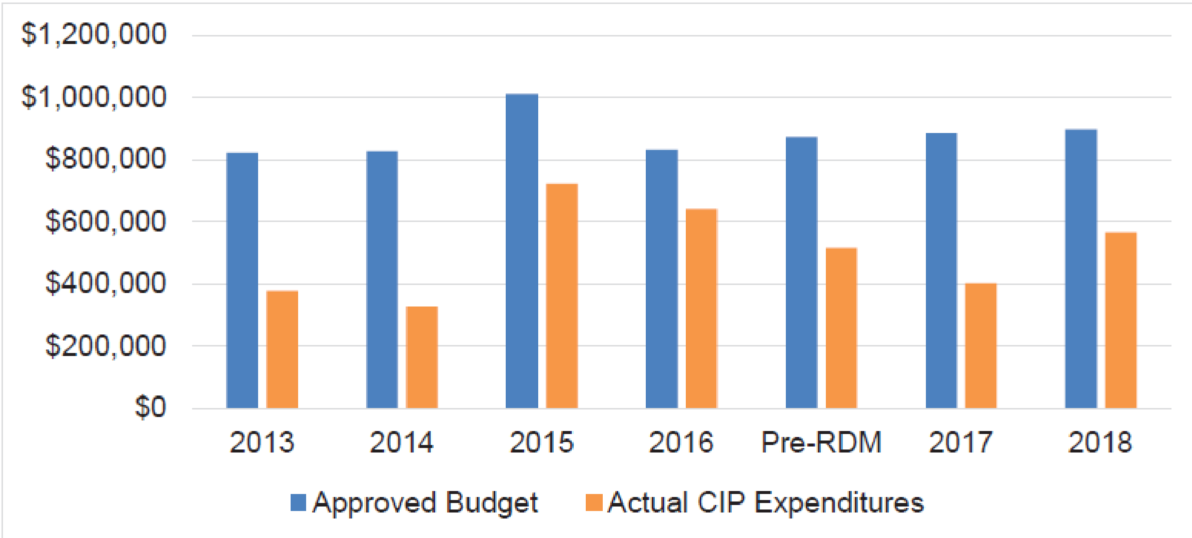
Year/Period	Residential & Small Commercial	Low-Income	Commercial and Industrial	CIP Assessments	Overall Program
2013	$163,900	$99,443	$92,875	$22,575	$378,793
2014	$159,646	$69,905	$93,951	$3,878	$327,380
2015	$159,636	$70,389	$475,518	$19,101	$724,644
2016	$176,012	$80,810	$363,630	$21,691	$642,143
Pre-Decoupling Average	$164,799	$80,137	$256,494	$16,811	$518,240
2017	$187,072	$58,553	$138,061	$19,432	$403,118
2018	$232,027	$82,136	$241,294	$11,164	$566,621

[25] DOC Comments, June 13, 2019, Figure 3, page 10.

[26] *Ibid*, Table 4, page 11.

Figure 4, below, shows Great Plains' authorized CIP expenditures compared to actual CIP expenditures.

Figure 4: Approved CIP Expenditures vs. Actual CIP Expenditures



The Department analyzed expenditure data for 2017 and 2018, and observed that overall expenditures in 2018 were greater than the pre-decoupling average. However, CIP expenditures on a customer-segment basis were all less than the authorized amounts, with the exception of the Residential & Small Commercial segment.[27]

The Department again expressed concerns about the Company's commitment to energy savings. The Department also stated that Great Plains' commitment to conservation has not changed as a result of the RDM pilot and that this "may call into question the long-term viability of the Company's RDM Pilot".[28] The Department stated that it will continue to evaluate CIP expenditure data in future RDM reports.

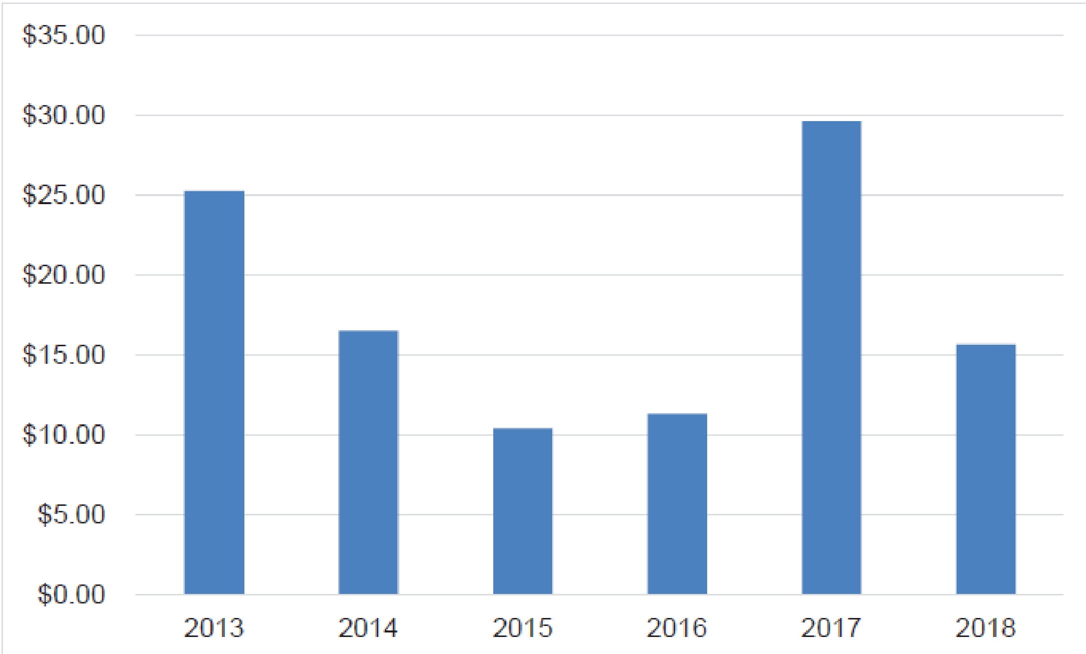
d. Changes in Cost per Dekatherm

Figure 5, on the next page, shows the first-year cost per dekatherm for GP's CIP achievements over the period from 2013 to 2018.

[27] April 26, 2019 Status Report, Docket No. G-004/M-19-287, Pages 1 and 2. Department Attachment 2.

[28] DOC Comments, June 13, 2019, page 12.

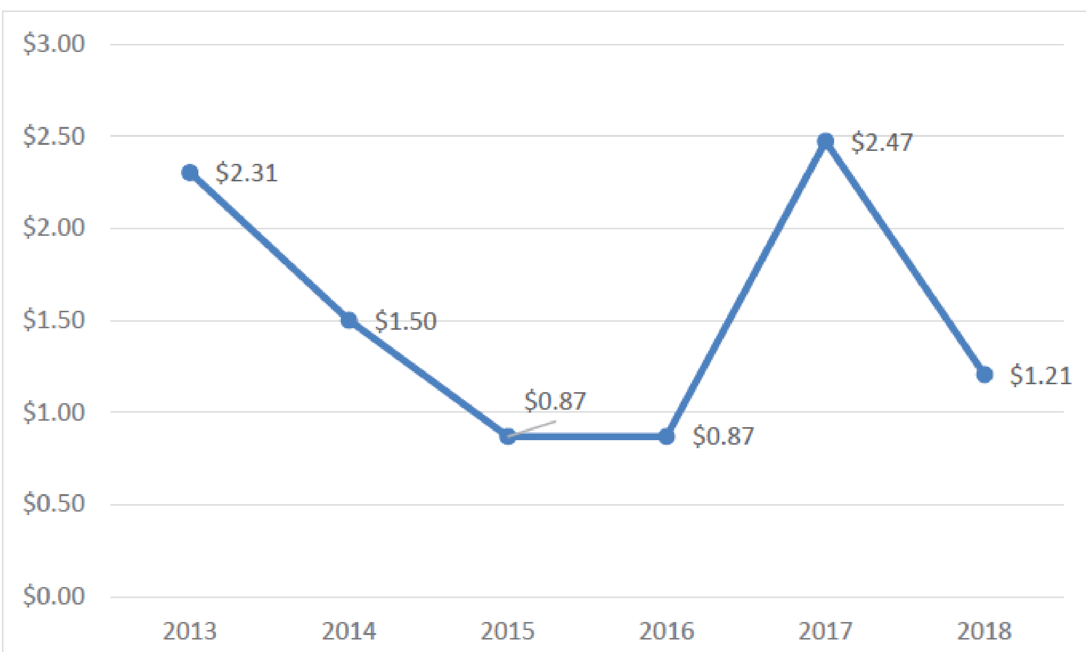
Figure 5: Great Plains' Cost per Dth for First-Year Energy Savings



Overall, the cost per first-year energy savings was highest in 2017, decreasing significantly in 2018. Great Plains' first-year savings in 2017 was $15.36/Dth; in 2018 it was $15.70/Dth, a reduction of $13.99/Dth over 2017.

Figure 6, below, shows the lifetime energy cost savings from annual CIP programs.

Figure 6: Cost of Lifetime Energy Savings Created through Annual CIP Achievements ($/Dth)



Maximum costs occurred in 2017 at $2.47 per Dth, while the lowest cost was at $0.87 in 2015. Pre-decoupling (2013-2016) average lifetime savings cost was $1.39 per Dth, while the average since decoupling was $1.84 per Dth. The Department states that it will continue to monitor this metric in future evaluation reports.

5. Department Conclusions and Recommendations

Based on its review, the Department concluded that Great Plains complied with the ordering points in the Commission's February 7 and March 29 Orders.[29]

The Department recommended that the Commission:

- approve the RDM factors presented in Great Plains' March 8, 2019 updated filing and reproduced in Table 8 below;
- approve the proposed tariff changes as presented in Great Plains' March 8, 2019 updated filing; and
- allow Great Plains to continue its RDM Pilot for calendar year 2019.

Table 8: RDM Factors for Great Plains' Decoupled Customer Classes – Surcharge or (Refund) per Dth

Customer Class	RDM Factor
Residential – N60	($0.3816)
Residential – S60	($0.3050)
Firm General – N70	($0.2312)
Firm General – S70	($0.0742)
Small IT – North	($0.1360)
Small IT – South	($0.0896)
Large IT – North	($0.4005)
Large IT – South	$0.0151

C. Great Plains Reply Comments

On June 13, 2019, Great Plains submitted a reply to the Department's comments. The Company stated that it agreed with each of the three recommendations submitted.

Regarding the Department's concerns about the Company's commitment to energy conservation, Great Plains stated that, through continuing to encourage customer participation in the Company's CIP rebate programs and promoting customer investments in energy savings measures, it is committed to achieving its CIP goals. Great Plains opined that the longer investment payback period resulting from the low cost of natural gas is interfering with customers' decisions to replace existing equipment.

[29] Docket No. G-004/GR-15-879.

V. Staff Comment

Staff concurs with the Department's analysis and recommendations.

Staff did note that the Department's Deputy Commissioner set Great Plains' annual minimum savings goal for 2017-2019 to be 1.0 percent of average weather-normalized baseline 2013-2015 sales in Minnesota and that the 2017-2019 CIP Triennial Plans were extended through 2020 per Deputy Commissioner Decision, April 11, 2019. The Company achieved energy savings of 0.24% of sales in 2017 and 0.65% in 2018, both years below the 1.0% savings goal. Staff shares the Department's concerns regarding Great Plains' ability to achieve minimum energy savings under decoupling.

Also, as noted above, Great Plains' RDM filing included tables based on information that was subsequently updated in the Company's May 1 CIP filing. Since the Department based its analysis on that May 1st filing, in order to have data consistency in both filings, the Commission may want to consider synchronizing the timing of future RDM reports with annual CIP filings. Ahead of the full report's revised filing date, the Company can make an initial filing on March 1 that provides the revenue decoupling calculation that will be included in the May 1 filing. This methodology would be similar to the one used in MERC's revenue decoupling pilot program.[30]

VI. Decision Alternatives

RDM Factors

1. Approve the revenue decoupling mechanism (RDM) factors as presented in Great Plains' March 8, 2019 updated filing and shown in Table 8 on page 15 above. (*GP, DOC*) **OR**
2. Do not approve the RDM factors.

Proposed Tariff Changes

3. Approve the proposed tariff changes as presented in Great Plains' March 8, 2019 updated filing and included below in Attachment A. (*GP, DOC*) **OR**
4. Do not approve the proposed tariff changes.

RDM Pilot – Year 3

5. Authorize Great Plains to continue its RDM Pilot for calendar year 2019. (*GP, DOC*) **OR**
6. Do not allow Great Plains to continue its RDM Pilot Program.

Future RDM Annual Reports

7. For future RDM annual reports, require Great Plains to file the annual revenue decoupling calculations by March 1 and the full evaluation report by May 1. *(PUC Staff)*

[30] MERC's most recent RDM docket is G011/M-19-201.

GREAT PLAINS NATURAL GAS CO.
A Division of MDU Resources Group, Inc.

State of Minnesota
Gas Rate Schedule – MNPUC Volume 2

Section No. 5
1st Revised Sheet No. 5-125
Canceling Original Sheet No. 5-125

REVENUE DECOUPLING MECHANISM

Applicability:

This rate schedule represents a Revenue Decoupling Mechanism (RDM) that serves to reduce the Company's financial disincentive to the promotion of energy efficiency and conservation by separating the link between the Company's revenues from changes in the volume of gas sales. This mechanism complies with the legislative intent and language of Minnesota Statute, Section 216B.2412 Decoupling of Energy Sales from Revenue.

The RDM is applicable to all rate classes with the exception of customers served under a flexible distribution rate agreement.

Revenue Decoupling Mechanism:

a. The RDM will compare the level of non-gas revenues authorized in the last general rate case (excluding those revenues associated with the CCRC), adjusted for customer growth, to the level of non-gas revenues collected by rate class to determine either a revenue shortfall or surplus ~~for the 12-month period beginning October 1~~ of each calendar year. An adjustment per Dk per rate class will be calculated if either a revenue shortfall or surplus exists.

b. An RDM adjustment per Dk will be calculated annually for each class of customers to which the RDM applies. The adjustment shall be calculated in the following manner per rate class:

c. Authorized Margin per Customer: the non-gas revenues divided by the number of customers per rate class as authorized in the Company's last general rate case.

d. Designed Revenues: authorized margin per customer multiplied by the greater of the (1) authorized customers or (2) actual customers per rate class ~~for the 12-month period beginning October 1~~ of each calendar year.

e. RDM Adjustment per Dk = (Designed Revenues less actual non-gas revenues) divided by forecasted volumes for each rate class of customers. The RDM is symmetrical in form and can result in either a bill surcharge or credit for each rate class of customers. Bill surcharges applicable to the RDM shall be capped at ten percent of non-gas margin revenues (excluding revenues for the Conservation Cost Recovery charge) by rate class.

Date Filed:	December 1, 2017	**Effective Date:**	January 1, 2018
Issued By:	Tamie A. Aberle Director – Regulatory Affairs	**Docket No.:**	G004/GR-15-879

GREAT PLAINS NATURAL GAS CO.

A Division of MDU Resources Group, Inc.

State of Minnesota
Gas Rate Schedule – MNPUC Volume 2

Section No. 5
1st Revised Sheet No. 5-126
Canceling Original Sheet No. 5-126

REVENUE DECOUPLING MECHANISM

Pilot Program:

The RDM established under this tariff is new to the Company's rate design and was not included in any prior rate structure of the Company. The RDM will be effective for a pilot period of 36 months from the date the program is authorized to become effective. The Company may request approval from the Commission to extend the RDM beyond the pilot period.

Annual RDM Adjustment:

a. No later than ~~December~~ March 1st of the calendar year following the Commission's approval of the RDM tariff, and each ~~December~~ March 1st thereafter, the Company shall file with the Commission a report that specifies the RDM adjustments to be effective for each rate class. The initial report shall reflect a 12-month period beginning ~~October 1, 2016~~January 1, 2017, the first day of the month following the final order of the Commission in Docket G004/GR-15-879.

b. The applicable rate adjustment under the RDM shall be effective with service rendered on or after April 1 of the year in which the evaluation report was filed. Any over or under collection will be added to or subtracted from the Annual RDM Adjustment for the next RDM filing.

c. In the event any portions of the proposed rate adjustments are modified by the Commission, the proposed rate adjustments shall be adjusted in accordance with the Commission's order.

d. The Company shall record its best estimate of the amounts to be recognized under the RDM so as to reflect in its books and records a fair representation of the impact of this rider in actual earnings. Such estimate shall be adjusted, if necessary, upon filing the RDM calculations with the Commission, and again upon final Commission approval.

Revenue Decoupling Mechanism:	**Rate per Dk**
Residential	
North District Rate N60	~~$0.2842~~($0.3816)
South District Rate S60	~~$0.2003~~($0.3050)
Firm General	
North District Rate N70	~~$0.2454~~($0.2312)
South District Rate S70	~~$0.2008~~($0.0742)

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GREAT PLAINS NATURAL GAS CO.
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State of Minnesota
Gas Rate Schedule – MNPUC Volume 2

Section No. 5
1st Revised Sheet No. 5-126
Canceling Original Sheet No. 5-126

REVENUE DECOUPLING MECHANISM

Small Interruptible Sales & Transportation	
North District Rates N71 and N81	~~$0.1059~~($0.1360)
South District Rates S71 and S81	~~$0.0472~~($0.0896)
Large Interruptible Sales & Transportation	
North District Rates N82 and N85	~~$0.1178~~($0.4005)
South District Rates S82 and S85	~~$0.1568~~$0.0151

Date Filed:	December 1, 2017	**Effective Date:**	January 1, 2018
Issued By:	Tamie A. Aberle Director – Regulatory Affairs	**Docket No.:**	G004/GR-15-879