

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Greater Minnesota Gas's
Petition to Establish a Conservation-
Improvement-Program (CIP) Rider

ISSUE DATE: January 5, 2017

DOCKET NO. G-022/M-16-494

ORDER GRANTING PETITION TO
ESTABLISH CIP RIDER WITH
CONDITIONS

PROCEDURAL HISTORY

On June 1, 2016, Greater Minnesota Gas (GMG or the Company) filed a petition to establish an annual recovery mechanism for conservation-related expenses under Minn. Stat. § 216B.16, subd. 6b (CIP rider).

On August 31, the Minnesota Department of Commerce (Department) filed comments recommending that the Commission grant the petition with modifications.

On September 8, GMG filed reply comments stating that it agreed with the Department's recommended modifications. The Company said that it was working with the Commission's Consumer Affairs Office to draft a bill message informing its customers of the new rider.

On September 14, the Company filed the finalized bill-message language.

On October 26, the Department filed a response to the Company's reply comments; it continued to recommend that GMG's petition be granted.

On December 8, the matter come before the Commission.

FINDINGS AND CONCLUSIONS

I. Summary of Commission Action

In this order, the Commission takes the following actions:

- Grants GMG's request to implement a CIP rider with an annual Conservation Cost Recovery Adjustment (CCRA);

- Approves the Company’s 2015 CIP tracker account activities, requiring future tracker filings to include monthly data; and
- Approves GMG’s proposed CCRA of \$0.18 per dekatherm, conditioned on the Company waiving carrying charges on tracker account balances for three years.

The Commission directs the Company to make a compliance filing with updated tariff sheets and calculations and will require it to make annual filings to update the CIP rider by May 1 of each year.

II. Regulatory Background

A. Conservation-Improvement Programs

The conservation-improvement-program (CIP) statute, Minn. Stat. § 216B.241, requires public utilities to invest in energy-conservation improvements and establishes benchmarks both for conservation-improvement spending and for the energy savings that result from conservation efforts.¹

Consistent with the statute and its implementing regulations, utilities file biennial or triennial CIP plans.² The Department then sets each utility’s energy-savings goals³ and approves its conservation programs,⁴ while the Commission determines, under its ratemaking authority, whether and how a utility may recover its CIP-related costs.⁵

B. Conservation Cost Recovery

The Minnesota Legislature has directed the Commission to include conservation investments and expenses when determining a utility’s just and reasonable rates.⁶

Because general rate cases can occur at irregular intervals, the Commission allows utilities to record their CIP expenditures in tracker accounts. This assures that these costs, to the extent that they exceed related collections and are found to be prudent and reasonable in a future rate case, will eventually be recovered.

In 1993, the Legislature authorized the Commission to permit public utilities to seek annual recovery of the costs of energy-conservation improvements.⁷ A major benefit of annual CIP

¹ See Minn. Stat. § 216B.241, subs. 1a (spending requirements) and 1c (energy-saving goals).

² Minn. R. 7690.0500, subp. 1 (providing for biennial CIP filings); *but see In the Matter of GMG’s 2009 Conservation Improvement Program*, Docket No. G-022/CIP-08-228, Order (March 5, 2008) (granting GMG a rule variance to allow triennial CIP filings).

³ See Minn. Stat. § 216B.241, subd. 1c.

⁴ *Id.*, subd. 2.

⁵ *Id.*, subd. 2b.

⁶ Minn. Stat. § 216B.16, subd. 6b(a); *see also* Minn. Stat. § 216B.241, subd. 2b (providing that the Commission “shall allow a utility to recover expenses resulting from a conservation improvement program required by the [D]epartment”).

⁷ See Minn. Stat. § 216B.16, subd. 6b(c).

recovery is it that it keeps CIP tracker account balances at a reasonable level, preventing the need for a utility to increase rates substantially in a general rate case to recoup unrecovered CIP costs.

Most public utilities in Minnesota have obtained permission, under this provision, to include a Conservation Cost Recovery Adjustment (CCRA) on their customers' bills. These utilities make annual filings with the Commission providing a summary of the previous year's CIP expenditures and proposing a new CCRA based on the year-end tracker balance and expected expenditures and recoveries for the current year.

III. Greater Minnesota Gas's Petition

GMG established its conservation improvement program in 2008. Since that time, participation in the program has expanded, causing program costs to outpace the Company's ability to recover them through its approved rates and leading to a growing balance of unrecovered CIP expenses. GMG estimates that by the end of 2016, total unrecovered CIP expenses will reach \$314,156.

To address this growing deficit, GMG proposes to institute a CIP rider effective January 1, 2017. The rider would include a Conservation Cost Recovery Charge (CCRC) of \$0.0413 per dekatherm (Dth)—representing the existing level of conservation cost recovery already included in base rates—and a Conservation Cost Recovery Adjustment (CCRA) of \$0.18 per Dth.

The CCRA would be adjusted each year to account for over- or under-recovery of CIP costs, while the CCRC would only be adjusted in a general rate case. The proposed initial CCRA of \$0.18 is designed to reduce GMG's unrecovered CIP-expense balance to zero over a three-year amortization period.

IV. Request for CIP Rider Granted

Having carefully examined the record, the Commission concurs with the parties that GMG should be permitted to implement a CIP rider with an annual Conservation Cost Recovery Adjustment.

GMG will join the majority of public utilities in Minnesota that have annual recovery of CIP expenses. The Commission's reasons for granting GMG's request to establish a CIP rider are substantially the same as its reasons for approving other utilities' CIP riders: Annual recovery mechanisms help match cost recovery with the ratepayers for whose benefit the costs were incurred and prevent the buildup of large unrecovered balances, which can lead to substantial rate increases.

The Commission will grant the Company's petition with the conditions discussed below.

V. Tracker Activity Approved

Utilities record CIP expenditures and recoveries in CIP tracker accounts, so-called because they track any shortfall or surplus to facilitate future rate adjustments—either in a rate case or a CIP rider proceeding. When filing requests to update the CCRA, utilities provide a month-by-month summary of the previous year's CIP tracker activity. Any year-end shortfall or surplus is taken into account in setting the CCRA for the following year.

Because this petition was GMG’s first CIP rider filing, the Company provided a summary of its CIP expenditures and recoveries from 2009 to 2015. However, the Company did not provide the month-by-month detail that is customary in CIP tracker filings. Moreover, the Company’s tracker activity does not include Next Generation Energy Act (NGEA) assessments, a type of cost that would ordinarily be included in CIP recovery.⁸

In reply comments, GMG confirmed that its identified CIP expenditures did not include NGEA assessments; however, it stated that including the assessments would not change its proposed CCRA.

The Commission will approve GMG’s 2015 CIP tracker account activities as summarized in the table below and will allow the Company, at its option, to add the NGEA assessments to the CIP tracker when making its compliance filing. In future CIP tracker filings the Commission will require the Company to provide monthly data, as recommended by the Department and agreed to by GMG.

Description	Time Period	Amount
Beginning Balance	January 1, 2015	\$126,990
CIP Expenditures	January 1 – December 31	\$97,173
Recovery via Base Rates (CCRC)	January 1 – December 31	\$(46,003)
Ending Balance	December 31, 2015	\$178,161

VI. Proposed CCRA Approved

GMG proposed a CCRA that would reduce the unrecovered CIP-expense balance to zero over a three-year period. The Department stated that it normally recommends that utilities set their CCRA at a level that will bring the tracker balance to zero within one year. However, it agreed that recovering GMG’s substantial CIP tracker balance gradually made sense.

While utilities generally seek to recover financing costs, called “carrying charges,” on CIP tracker balances, GMG did not include carrying charges in its CIP tracker in this docket. The Department agreed that, given that this petition represents GMG’s first-ever request to establish a CIP rider, ratepayers should not be required to pay carrying charges on the existing tracker balance. However, it stated that it may be reasonable for GMG to institute a carrying charge once the three-year amortization period has ended.

The Commission will approve GMG’s proposed CCRA of \$0.18 per dekatherm, effective January 1, 2017, or on the first billing cycle in the next full month after Commission approval, whichever is later. The Commission concurs with the parties that, under the circumstances, a three-year amortization of the preexisting unrecovered balance is reasonable to smooth rates and avoid potential rate shock.

Finally, the Commission will condition its approval of the CCRA on GMG waiving the imposition of carrying charges until after the three-year amortization period has expired. The Company has not sought to recover carrying charges in its current filing, and Commission agrees with the Department that ratepayers should not have to pay carrying charges on a large balance

⁸ Minn. Stat. § 216B.241, subd. 8, authorizes the Department to levy assessments on utilities to support its evaluation of utility CIP programs, provide energy-conservation research grants, and maintain and revise sustainable building-design standards.

that accrued entirely before the Company requested annual recovery of CIP costs. Once the amortization has ended, GMG may seek Commission approval to institute carrying charges.

ORDER

1. The Commission grants Greater Minnesota Gas's (GMG's) request to implement a Conservation Improvement Program (CIP) cost-recovery rider and an annual Conservation Cost Recovery Adjustment (CCRA).
2. The Commission approves GMG's 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 comments, giving the Company the option, in its compliance filing, to modify the tracker by adding the Next Generation Energy Act (NGEA) assessments from 2015 and earlier that are not already included in the tracker account.
3. GMG shall provide monthly data in all future CIP tracker/CCRA filings.
4. The Commission approves the proposed CCRA of \$0.18/Dth for all of GMG's Minnesota customer classes, to be effective January 1, 2017, or on the first billing cycle in the next full month after Commission approval, whichever is later. This approval is conditioned on GMG's waiver of carrying charges until after the three-year amortization period has expired; any future carrying charges will require Commission approval.
5. Within ten days of this order, GMG shall submit a compliance filing with the relevant tariff sheets and necessary calculations that comply with the Commission's determinations.
6. GMG shall submit annual CIP tracker and CCRA filings by May 1.
7. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary



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