MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**December 19, 2019**	Agenda Item *2
Company	Greater Minnesota Gas (GMG)	
Docket No.	**G022/M-19-633** In the Matter of Greater Minnesota Gas, Inc.'s Conservation Improvement Program Conservation Cost Recovery Adjustment Tariff Change	
Issues	What Conservation Cost Recovery Adjustment (CCRA) should the Commission approve for 2019/2020?	
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✓ **Relevant Documents**	**Date**
Order Granting Petition To Establish CIP Rider With Conditions G-022/M-16-494	January 5, 2017
Greater Minnesota Gas Initial Filing – Proposed Tariff Change to CCRA	October 9, 2019
Comments of Minnesota Department of Commerce (DOC)	November 8, 2019
Reply Comments Greater Minnesota Gas	November 18, 2019

I. Statement of the Issues

What Conservation Cost Recovery Adjustment (CCRA) should the Commission approve for 2019/2020?

II. Background

On October 9, 2019, Greater Minnesota Gas, Inc. ("GMG") filed a request for approval for a reduction in its Conservation Cost Recovery Adjustment (CCRA). The Petition requests that the Commission approve GMG's proposed tariff change reducing its CCRA from $0.18 per dekatherm to $0.03 per dekatherm.

On November 8, 2019, the Minnesota Department of Commerce, Division of Energy Resources (DOC), filed Comments of the Minnesota Department of Commerce Division of Energy Resources ("Comments"), recommending a CCRA of $0.

On November 18, 2019, GMG filed a reply to the DOC stating it does not object to a CCRA of $0, but provided additional information to clarify the record and address the Department's concerns.

III. Parties' Comments

What Conservation Cost Recovery Adjustment (CCRA) should the Commission approve for 2019/2020?

GMG: For a number of years, GMG administered its Conservation Improvement Program (CIP) without implementing a Rider to recover its CIP expenses. As GMG grew and its CIP offerings expanded, implementing a Rider became more important. Accordingly, after consultation with Department staff regarding development of the Rider and how to address GMG's existing CIP expense shortfall, GMG proposed that it incorporate a CCRA Rider into its tariff as it entered a new CIP triennium. GMG's CCRA was approved in Docket No. G022/M-16-494.

As part of the development of GMG's Rider, GMG amortized its then-existing shortfall over a three-year period. Additionally, GMG agreed to not implement either carrying charges or consider an incentive component for the same three-year period. GMG's intent, and its understanding, was that its CCRA would remain the same for the initial three-year period. GMG further understood that its CCRA would subsequently be subject to annual adjustment as appropriate to recover anticipated CIP costs without adversely impacting customer rates. GMG maintained tracker information by month and, since 2019 represents the end of the three-year period, GMG proposed a reduction in its CCRA via a tariff change.

The Department characterized GMG as not complying with the Commission's initial order establishing the CCRA because it did not make annual filings and because its prospective information contained two years of annual calculations rather than monthly calculations. After reviewing the Department's Comments, GMG recognizes that its understanding of the initial CCRA implementation was different from the Department's, and GMG apologizes for its erroneous understanding and misinterpretation of the Commission's Order. GMG fully intends, as it always has, that its CCRA will be subject to annual adjustments on a go-forward basis as appropriate based on the annual filings that it will make incorporating monthly data.

With respect to monthly data, GMG understands that the CIP data it reports should be broken down by month and, as the Department recognized, GMG did provide tracker balance information by month in its initial filing herein. While the Commission's prior order did not specify that prospective calculations should also be provided by month, the Department took issue with the fact that GMG provided two years of annual prospective calculations for illustrative purposes. GMG provided annual prospective data for purposes of illustration only because that seemed to make the most sense; and, GMG provided illustrative data for a two-year period rather than one simply to provide more information about the CCRA change impact. For a small utility like GMG which has exhibited high growth over recent years; and, for one like GMG that has substantial change in seasonal use due to agricultural grain drying customers; any prediction of future use is necessarily generalized and can be imprecise. While GMG can, and does, examine general trends in usage and extrapolate that to make annual usage predictions, attempting to funnel annual predictions into monthly ones only exacerbates the imprecision fed by extrapolation. GMG felt that annual calculations provided the best assessment to illustrate the prospective impact of a CCRA change in a meaningful way. In light of the Department's Comments, GMG has attached prospective illustrative calculations broken down by month hereto for review. (November 18, 2019 GMG comments at page 2)

GMG understands the Department's concerns and its recommendation that GMG's CCRA be set at $0.00 pending review subsequent to an updated tracker filing on or before May 1, 2020; and, GMG has no objection to taking that approach. Whether the Commission prefers to set GMG's CCRA at $0.00 in the near term or set it at some other rate, GMG and the Department concur that GMG's CCRA should be reduced. (November 18, 2019 DOC comments at page 3)

DOC: The Department notes that the Company does not appear to have complied with Order Point 6 of the Commission's January 5, 2017 Order (GMG shall submit annual CIP tracker and CCRA filings by May 1.); the instant Petition is the only CIP tracker and CCRA filing made since the Company's initial petition in 2016. GMG does not address its noncompliance, but does state in its Petition, "GMG agreed that it would leave that rate [of $0.18/Dth] in place, and would not seek carrying charges, for a period of three years."

At the time the Company first implemented the current CCRA, its tracker balance was under-recovered by $270,706; by the time the Company plans to implement the new CCRA, the tracker balance is expected to be over-recovered by $217,941. These large tracker balance swings demonstrate why an annual filing for tracker review is an effective way of keeping the balance closer to zero. The Department reviewed Exhibit A of GMG's Petition and notes that the Company's tracker balance first became over-recovered in March 2018; in other words, ratepayers have been unnecessarily paying GMG's higher CCRA rate for 20 months as of the time of this filing. If the Company had complied with the Commission's directive to make annual filings, the CCRA would have gradually decreased each year, commensurate with the actual CIP expenditures and recoveries. (November 8, 2019 DOC comments at page 2)

The Company appears to be projecting that a CCRA of $0.0300 will be in place for 2020 and 2021, or a period of two years. Under the Company's projections, the tracker balance would be over-recovered by $84,779 at the end of 2020 and under-recovered by $48,378 at the end of 2021. Typically, the Department recommends that utilities set the CCRA at a rate that brings the tracker balance close to zero within one year. In cases where the tracker is significantly over-recovered, such as this one, the Department typically recommends that utilities set these types of rates at $0/Dth. Doing so helps ensure that customers who overpaid can "recover" those costs more quickly, thus better accounting for customer churn. In cases where utilities use carrying charges, this strategy also helps keep those costs low.

Therefore, the Department recommends that the Commission set the Company's CCRA to $0, effective the first day of the first month following the Commission's Order in this matter. GMG's next CIP tracker filing will be submitted by May 1, 2020, at which time the CCRA can be re-evaluated. The Department reminds GMG to provide monthly projected CIP tracker data in its annual filings to ensure the ability to confirm GMG's proposed CCRA rate calculation. (November 8, 2019 DOC comments at pages 3 and 4)

IV. Staff Analysis

Staff notes that both parties have agreed that a $0.00 per Dth CCRA may be the best approach in this case. Given that GMG will provide a more comprehensive filing on May 1, 2020, setting GMG's CCRA at $0.00 per Dth may be the most appropriate interim step.

V. Decision Options

What Conservation Cost Recovery Adjustment (CCRA) should the Commission approve for 2019/2020?

A. Approve a CCRA of $0.000 per Dth, to be effective the first day of the month following the Commission's Order in this matter (DOC recommendation).

B. Approve a CCRA of $0.03 per Dth, to be effective the first day of the month following the Commission's Order in this matter (GMG's original recommendation).

VI. Staff Recommendation

Staff recommends that the Commission adopt alternative A.