COMMERCE DEPARTMENT

June 1, 2020

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-20-335

Dear Mr. Wolf:

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

> Great Plains Natural Gas Company's (Great Plains or the Company) Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 3 (Third Evaluation Report) of the Pilot Program.

The decoupling evaluation report was filed on February 28, 2020 and updated with a supplemental filing on May 1, 2020 by:

> Travis R. Jacobson, Director of Regulatory Affairs
> Great Plains Natural Gas Company
> P.O. Box 176
> Fergus Falls, MN 56538-0176

Based on its review of Great Plains' Third Evaluation Report, the Department recommends that the Minnesota Public Utilities Commission (Commission):

- approve the RDM factors as presented in the Great Plains' February 28, 2020 filing, with modifications;
- approve the proposed tariff changes as presented in Great Plains' February 28, 2020 filing, with modifications; and
- allow Great Plains to continue its RDM Pilot for calendar year 2020.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ DANIELLE D. WINNER
Public Utilities Rates Analyst

COMMERCE DEPARTMENT

# Before the Minnesota Public Utilities Commission

## Comments of the Minnesota Department of Commerce
## Division of Energy Resources

Docket No. G004/M-20-335

## I. BACKGROUND

On September 6, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions of Law, and Order* (*September 6 Order*) in Great Plains Natural Gas Company's (Great Plains or the Company) 2015 General Rate Case, Docket No. G004/GR-15-879 (2015 Rate Case). As part of this *September 6 Order*, the Commission authorized Great Plains to implement a full Revenue Decoupling Mechanism (RDM) Pilot (RDM Pilot) under Minnesota Statute § 216B.2412. The RDM applied to all of the Company's rate classes except:

- Flexible rate customers. By statute, a utility may not charge a customer receiving service on the basis of flexible rates less than its incremental cost; a decoupling adjustment might cause the rate to dip below that level, and;
- One Large Interruptible Transportation customer that has received Commission approval to be exempt from the state's Conservation Improvement Program (CIP).

Ordering Point 26.B in the Commission's *September 6 Order* required the Company to include in annual reports, and the final project report, the calculations of its decoupling adjustments derived using the per-customer method and the per-customer-class method. On September 22, 2016, Great Plains submitted a compliance filing containing the revised schedules of rates and charges as required by the *September 6 Order*.

The Company submitted its first RDM Pilot Evaluation Report (First Evaluation Report) on December 1, 2017 in accordance with its final rates compliance filing in the 2015 Rate Case. The First Evaluation Report encompassed the period from October 1, 2016 to September 30, 2017. On April 6, 2018, the Department submitted comments protesting the Company's modification of its tariff and the evaluation period used in the first report as being impermissibly retroactive. Great Plains and the Department exchanged several rounds of comments regarding the First Evaluation Report. On February 7, 2019, the Commission issued its *Order* (*February 7 Order*) regarding the First Evaluation Report. In its *February 7 Order*, the Commission ruled that January 1, 2017 to December 31, 2017 was the appropriate evaluation period and future reports should reflect data from the prior calendar year. The Commission also ruled that future reports shall be filed by March 1 of the year following the period evaluated and that these reports shall be filed in a new docket.

On March 1, 2019, Great Plains filed its second RDM Pilot Evaluation Report (Second Evaluation Report),[1] in Docket No. G004/M-19-198, in compliance with the Commission's *February 7 Order*. On March 8, 2019, Great Plains filed an update to the Second Evaluation Report with supporting schedules, rate calculations, and tariffs that incorporated a refund for a large customer that was omitted from the 2015 Rate Case test year. This updated report was made in response to decisions by the Commission at its March 5, 2019 Agenda Meeting.[2] On March 29, 2019, the Commission issued its *Order Approving Refund* (*March 29 Order*) requiring Great Plains to refund $54,456 in revenue associated with the previously omitted large customer through the RDM adjustment. The Commission also ordered that this refund be apportioned to ratepayers using the same apportionment method used in the 2015 Rate Case. On August 23, 2019, the Commission issued an Order (*August 23 Order*) requiring Great Plains to, in future filings, submit its decoupling rates by March 1, 2020 and a full decoupling evaluation report including the prior year's CIP data by May 1, 2020.

On September 27, 2019, Great Plains filed a general rate case in Docket No. G004/GR-19-511 (2019 Rate Case). In the course of that proceeding, the Company proposed to make the decoupling pilot program a permanent program and proposed to remove the large interruptible class of customers from the program. The Department supported the Company's proposal to remove the large interruptible class, but did not support the Company's proposal to make the program permanent. Instead, the Department supported extending the pilot through calendar year 2021. Further, the Department recommended that the Commission decline to set a minimum savings threshold in order for the Company to continue its decoupling mechanism.

In its January 13, 2020 Order (*January 13 Order*) in Docket No. G004/M-19-198, the Commission approved a one-year extension of Great Plains' Pilot program, to be continued through the end of 2020. The Commission did not make a decision regarding the Department's recommendation for Great Plains to continue its revenue decoupling program through calendar year 2021.

On February 28, 2020, Great Plains submitted its Year 3 Evaluation of the decoupling pilot program in the instant docket (Third Evaluation Report).

On May 1, 2020, the Company provided a supplement to the filing concerning the Company's CIP activities as they relate to the decoupling pilot (CIP Supplement).

The Department analyzes the Company's Third Evaluation Report and CIP Supplement below.

[1] The RDM Pilot is planned to be in effect for 36 months; as such, there will be at least one more evaluation report related to this pilot program.

[2] The agenda item concerned a December 3, 2018 letter filed by the Minnesota Department of Commerce, Division of Energy Resources in Docket No. G004/M-15-879 alerting the Commission Great Plains failed to disclose that a large customer started receiving service shortly after Great Plains filed its general rate case.

## II. DEPARTMENT EVALUATION

### *A. OVERVIEW*

The Company proposed its RDM Pilot evaluation plan in its initial 2015 Rate Case petition filed on September 30, 2015. The Department reviewed the proposed RDM Pilot evaluation plan in its Direct Testimony and concluded that the proposal was reasonable, with minor modifications. The Commission approved Great Plains' RDM Pilot mechanism with those modifications and evaluation plan in its *September 6 Order*. The Commission subsequently clarified the RDM tariff language and appropriate evaluation period in its *February 7 Order*.

The purpose of Great Plains' RDM Pilot is to eliminate the Company's throughput incentive and thus eliminate the Company's disincentive to encourage its customers to invest in energy savings. Under the RDM Pilot, Great Plains is allowed to recover its authorized revenues for non-fuel costs, regardless of causes in variation (*e.g.*, weather, economic factors), adjusted for customer growth, up to the approved revenue cap.

Great Plains' RDM adjustments are based on the difference between authorized revenues, per rate class, and actual revenues, per rate class. Authorized revenues, referred to in the model as Designed Revenues, are calculated by multiplying the Authorized Margin per Customer[3] by the greater of either the number of customers in each customer class authorized in the last rate case or the actual number of customers per rate class.

The Designed Revenues are compared to the actual revenues received, and the difference is divided by the forecasted sales volumes for each rate class. Any excess revenue will be returned to customers, and any revenue shortfall, up to ten percent of non-gas margin revenues, will be surcharged over the next 12-month period. If the Company over recovers, Great Plains is required to refund all revenues above the Designed Revenues over the subsequent year.

The structure of this pilot decoupling mechanism allows Great Plains' shareholders to benefit even beyond removing the throughput incentive. Because the Designed Revenues are based on the higher of either the number of customers from the last rate case or any increase in the number of customers, Great Plains' shareholders benefit from any growth in the number of customers and shift to ratepayers any risk of a decline in the number of customers. This aspect of the design in this pilot will likely warrant adjustment in the future.

Evaluating the impact of Great Plains' RDM Pilot on the Company's commitment to energy conservation efforts starts with establishing a 2013-2016 Pre-RDM baseline. Great Plains' CIP results are collected and reported on a calendar-year basis; therefore, the evaluation period

[3] The Authorized Margin per Customer equals the non-gas revenues divided by the number of customers per rate class as authorized in Great Plains' last rate case.

filed by the Company in its First Evaluation Report (October 1, 2016 to September 30, 2017) included part of the baseline period and thus could not be compared to the baseline. In its *February 7 Order*, the Commission ruled that evaluation reports should reflect data from the prior calendar year. Thus, the Second Evaluation Report represented the first comparison of energy savings corresponding with RDM Pilot Years 1 and 2 (2017 and 2018, respectively) to Pre-RDM energy savings. In that report, the Department expressed concerns about the Company's lack of energy savings improvement since the establishment of the RDM.[4]

Had the pilot program stuck to its original three year schedule, the instant Third Evaluation Report would have been the Company's final one. However, the Commission's *January 13 Order* permitting the Company to continue its pilot program for a fourth year indicates that there will be at least one more evaluation report, covering the 2020 calendar year.

Below, the Department discusses:

- Great Plains' CIP data for calendar years 2013-2016 (referred to in these Comments as "Pre-RDM");
- the Company's CIP data for calendar years 2017-2019 (referred to as "RDM Pilot Years 1-3," "RDM Years 1-3," or "Pilot Years 1-3");
- the Company's CIP data in the 2019 calendar year (referred to as the "2019 Evaluation Year" or "RDM Pilot Year 3"); and
- the proposed RDM rates over the recovery period from April 1, 2020 to March 30, 2021.

### *B. PROPOSED DECOUPLING ADJUSTMENTS*

Great Plains used calendar year 2019 as the evaluation period to track non-gas revenues in this Third Evaluation Report. Great Plains tracked revenues for all its rate classes and only excluded sales and revenues associated with its CIP exempt and flexible rate customers, with two exceptions.

During calendar year 2018 (Pilot Year 2), a Large Interruptible (IT) South-82 Rate customer transitioned to a flexible contract rate. This meant that it was no longer in a decoupled rate class since flexible contract rate customers are not decoupled. The Company accounted for this change by leaving the authorized customer count and revenue unchanged (thus including both the customer and its associated revenues in the Designed Revenues), then using the actual, lower margins under the flexible rate service to the customer in the actual revenues calculation.

The Company argued that this approach was preferable to ignoring the flexible-rate revenues from this customer and assuming zero impacts to the IT South-82 Rate class due to the customer leaving the Large Interruptible class, since that would mean assuming that this customer was contributing zero margins. Thus, the entire margin from the IT South-82 class

[4] Department's June 3, 2019 Comments, Docket No. G004/M-19-198, p. 8.

would be assumed to incorporate the revenue shortfalls associated with the formerly-decoupled customer.

Under such an approach, an amount equal to the entire margin from the IT class, multiplied by sales to the flexible-rate customer would be inappropriately recovered through the RDM. In its review of the Company's Second Evaluation Report, the Department concluded that Great Plains' treatment was reasonable (see Department's June 3, 2019 Comments in Docket No. G004/M-19-198).

During calendar year 2019 (Pilot Year 3), a flexible rate contract customer transitioned to the Large IT North-82 Rate. Instead of leaving the authorized revenues and customer count unchanged in the decoupling calculation (as it had done for the S82 customer), the Company added the N82 to both the authorized customer count and revenues. The Company justified this addition by stating:

> Because the existing customer moved from a flex rate not previously subject to decoupling it is appropriate to adjust the authorized levels for the class the customer is now part of in recognition of the fact the customer was previously contributing margin for the benefit of all customers. Simply treating the customer as a 'new' customer and leaving authorized levels unchanged would be improper because the customer's authorized volumes exceed those of the average of the class and would thus result in the Company needlessly forfeiting authorized margin (see Great Plains' Third Evaluation Report, pp. 11-12).

The Department agrees in part with Great Plains. Specifically, the Department agrees that the customer should not be treated as a "new" customer, and that the revenues from the customer in base rates should be accounted for within the decoupling calculation.

However, Great Plains' proposed mechanism must be revised, to reflect the amount of revenues that the flexible-rate customer contributed to the last rate case, since the total revenues from the case is a known fact and is the amount on which all of Great Plains' rates are based.

Thus, consistent with Great Plains' prior proposal, the decoupling adjustment should use the customer's flexible-rate revenues from the rate case as the customer's authorized revenues (and ultimately Designed Revenues) in the decoupling adjustment calculation. The customer's actual revenues should remain in the Large IT-North 82 rate class's revenues, as Great Plains proposed. Thus, the customer's actual Large IT-North 82 revenues are compared to the customer's test year revenues captured in base rates. This approach avoids treating the flexible-rate customer as a new customer by recognizing the amount of revenues from the

customer in base rates. It also recognizes that the customer switched to taking service under a different rate.

An alternative approach would be to treat both customers that switched services as if they had not done so, as Great Plains proposes to do in this case. This approach allows Great Plains to continue to collect the same amount of revenues as set in the prior rate case. This approach would require changing the decision made in Docket No. G004/M-19-198, so that the revenues from the customer that switched from Large IT-South 82 to flexible rates would continue to be included in the decoupling adjustment as if the customer had not made such a switch. Either approach is supportable, but using contradictory approaches is not.

The most straightforward approach at this time is to use a similar method to the adjustment in Great Plains' last decoupling adjustment. Thus, as noted above, the decoupling adjustment should set the Designed Revenues for the customer at the level used to set rates in the rate case, and that amount should be compared to actual revenues from the customer.

The Company's proposed decoupling adjustments are presented in Section C of its Third Evaluation Report. These adjustments are summarized in Table 1 below.

**Department Table 1: Great Plains' Proposed Decoupling Adjustments**

| Rate Class | Decoupling Adjustment Balance Calendar Year | Cap Adjustment | Under/(Over) Prior Period Adjustment | Net Balance as of March 31, 2020 |
|---|---|---|---|---|
| Residential Rate - N60 | ($86,791) | $0 | ($60,290) | ($147,081) |
| Residential Rate - S60 | ($111,198) | $0 | ($53,713) | ($164,911) |
| Firm General - N70 | ($44,587) | $0 | ($12,790) | ($57,377) |
| Firm General - S70 | ($20,880) | $0 | 28,030 | $7,150 |
| Small Interruptible - N71 & N81 | $37,348 | $0 | ($14,561) | $22,787 |
| Small Interruptible - S71 & S81 | ($39,573) | $0 | ($145) | ($39,718) |
| Large Interruptible - N85 & N82 | $1,871 | $0 | $8,445 | $10,316 |
| Large Interruptible - S85 & S82 | $71,585 | ($17,531) | $15,542 | $69,596 |
| **Total Under/(Over) Collection** | **($192,225)** | **$0** | **($89,482)** | **($299,238)** |

As shown in Table 1, the RDM adjustment for this year includes the 2019 calendar year balance, a cap adjustment for the Large Interruptible South classes, and the prior period adjustment.

In calendar year 2019, Great Plains over-recovered its RDM adjustment relative to Designed Revenues for the following rate classes: Residential N60 and S60, Firm General N70 and S70,

and Small Interruptible S71 & S81. As noted in Section II.A above, all over-recoveries are returned to ratepayers through subsequent RDM adjustments.[5]

Great Plains under-recovered relative to Designed Revenues for the remaining rate classes: Small Interruptible N71 & N81, Large Interruptible N85 & N82, and Large Interruptible S85 and S82. The under-recoveries compared to the Designed Revenues were below 10 percent for all but the Large Interruptible S85 & S82. This rate class had 2019 Designed Revenues equal to $540,538, meaning that the permitted 10 percent cap adjustment was equal to $54,054. Since Great Plains calculated an adjustment of $71,585, which was $17,531 in excess of the $54,538 cap, this rate class received a downwards adjustment.

The RDM adjustment also includes an adjustment for the prior period. The calculation of this adjustment can be found in Table C1-b of the Company's filing and is calculated using:

- the decoupling balance as of 4/1/2019;
- the decoupling revenues collected or credited between 4/1/2019 and 1/31/2020;
- the estimated revenues collected or credited between 2/1/2020 and 3/31/2020, and;
- a true up for the difference between estimated and actual revenues collected and credited between 2/1/2019 and 3/31/2020.

The Department verified that the RDM adjustment calculations are accurate, save for the Large IT- N82 and N85 rates, which should be recalculated to reflect the Department's recommendation. The Department also reviewed the Company's rate calculations and tariff sheets provided in its February 28, 2020 filing and concludes that, except for the Large IT-N82 and N85 rates, Great Plains' tariff sheets are appropriate and reflect the RDM adjustment revenues and Commission Orders. The Department recommends that after Great Plains adjusts the Large Interruptible North rate mechanism calculation, the Commission approve Great Plains' RDM rates provided in the Company's February 28, 2020 Evaluation Report.

### *C. GREAT PLAINS' ENERGY SAVINGS*

Minnesota Statutes § 216B.241, Subdivision 3 states:

> Subd. 3. **Pilot programs.** The commission shall allow one or more rate-regulated utilities to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. 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. On or before a date established by the commission, the

[5] For example, customers in the Residential N60 Class are credited with $60,290 in over-recoveries from the prior period.

> commission shall require electric and gas utilities that intend to implement a decoupling program to file a decoupling pilot plan, which shall be approved or approved as modified by the commission. 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 commission shall report on the programs annually to the chairs of the house of representatives and senate committees with primary jurisdiction over energy policy.

The Commission emphasized the important link between Great Plains' energy savings and its revenue decoupling mechanism in its September 6, 2016 *Order* in Docket No. G004/GR-15-879, where the Commission stated:

> The Commission asks the Department, in Great Plains' next rate case, to propose an appropriate minimum level of energy savings that the utility should achieve before Great Plains could qualify to implement a revenue decoupling surcharge.

As stated above, this topic is currently being discussed in the 2019 Rate Case. In that proceeding, the Department has not supported imposing a minimum level of energy savings for Great Plains to qualify for a revenue decoupling surcharge; however, the Commission has yet to make a decision in the rate case. The Department brings this up here to note that the Commission has previously noted the importance of energy savings in regards to decoupling.

*1. Level of Energy Savings*

Energy savings in this section are presented both as *first-year* energy savings, which refers to the amount of energy savings that would result from the energy conservation technologies and processes during the first 12 months after implementation, and *lifetime* energy savings, which refers to the energy savings expected during the lifetime of each of the energy conservation measures and processes. When the Department presents lifetime energy savings, these figures are clearly labeled as lifetime savings; all other data represents first-year energy savings.

Minnesota Statutes 216B.241 Subd. 3 states, among other things, that each pilot decoupling program must be designed to determine whether a rate-decoupling strategy achieves energy savings. However, revenue decoupling is only one of several public policies in Minnesota that provide a favorable regulatory environment for investor-owned utility conservation success. Other favorable public policies include the Commission-approved Shared Savings Demand-Side Management financial incentive mechanism, the State's 1.5% energy-savings goal, and the ability of the investor-owned utilities to annually true up their CIP expenditures. Thus, whether a utility's energy savings increase, remain stagnant, or fall once revenue decoupling is

implemented cannot totally be attributed to revenue decoupling. Instead, the Department ascertains whether revenue decoupling is also accompanied by increases in energy savings.

The Department notes that there have been three full calendar years (2017-2019) since the implementation of the Company's RDM Pilot. On May 1, 2020, the Company filed its CIP Supplement for calendar year 2019, which the Department incorporates into the charts and tables in these *Comments*.

To report its first-year CIP savings data, Great Plains provided historical information on customer class savings for years 2013-2019. The Company grouped its eight customer classes into three customer "segments": residential and small commercial, low income, and commercial and industrial. Figure 1 shows first-year savings by customer segment for the seven years reported by Great Plains.

**Department Figure 1. Great Plains' First-Year CIP Energy Savings (Dekatherms (Dth)) by Customer Segment, 2013-2019**

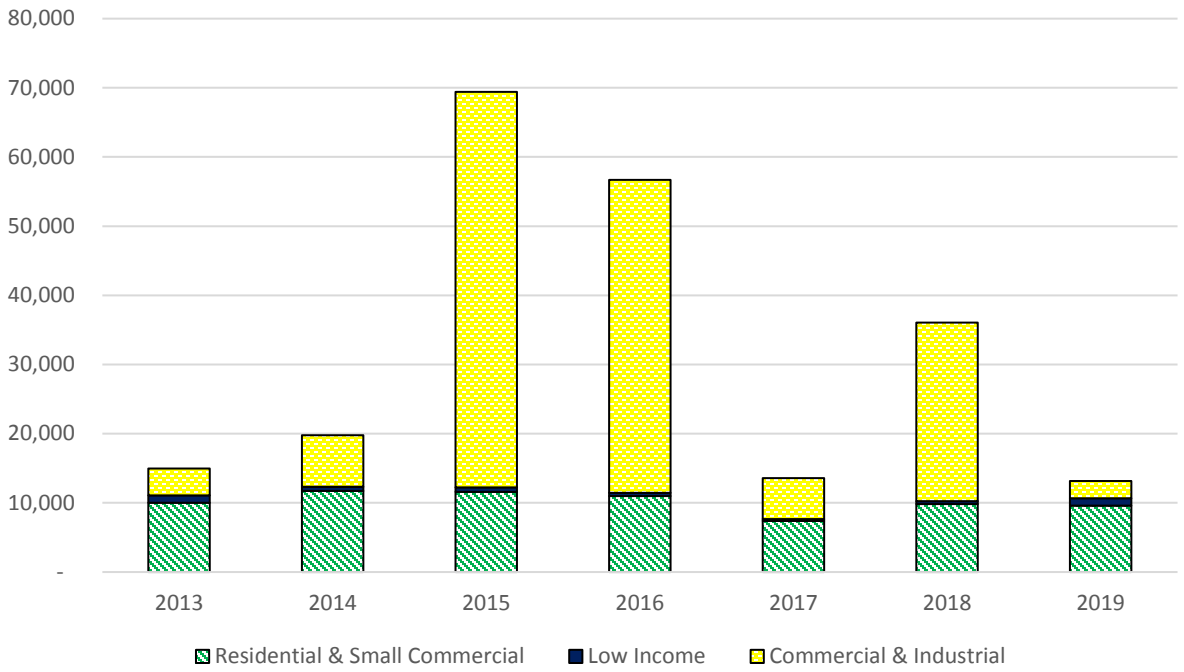



Table 2 below shows the data associated with Figure 1.

**Department Table 2. Great Plains' First-Year CIP Energy Savings (Dth) by Customer Segment, 2013-2019**

| Year/Period | Residential & Small Commercial | Low Income | Commercial & Industrial | Overall Program |
|---|---|---|---|---|
| 2013 | 10,010 | 1,073 | 3,886 | 14,969 |
| 2014 | 11,751 | 561 | 7,476 | 19,788 |
| 2015 | 11,610 | 649 | 57,134 | 69,393 |
| 2016 | 10,991 | 467 | 45,211 | 56,669 |
| 2017 | 7,387 | 250 | 5,940 | 13,577 |
| 2018 | 9,817 | 422 | 25,844 | 36,083 |
| 2019 | 9,621 | 1,027 | 2,527 | 13,175 |

Figure 1 and Table 2 demonstrate that the low income segment tends to produce the least amount of first-year savings while the commercial and industrial segment tends to produce the most variable savings, with a high of 57,134 Dth saved in 2015 and a low of 2,527 Dth saved in 2019. This variability, which will be discussed further below, is due largely to the presence or absence of commercial and industrial custom projects.

Figure 2 below illustrates the Company's annual energy savings for the years 2013-2019 and highlights the 2013-2016 (Pre-RDM) and 2017-2019 (RDM Years 1-3) averages.

**Department Figure 2. Great Plains' First-Year CIP Energy Savings (Dth) for 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

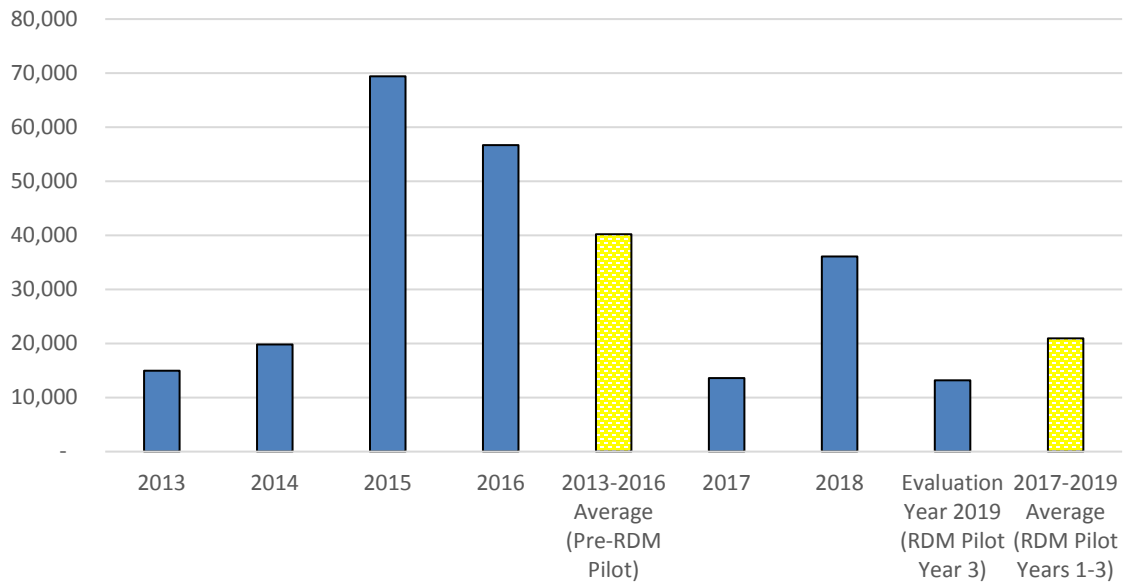


Table 3 below shows the data underlying Figure 2.

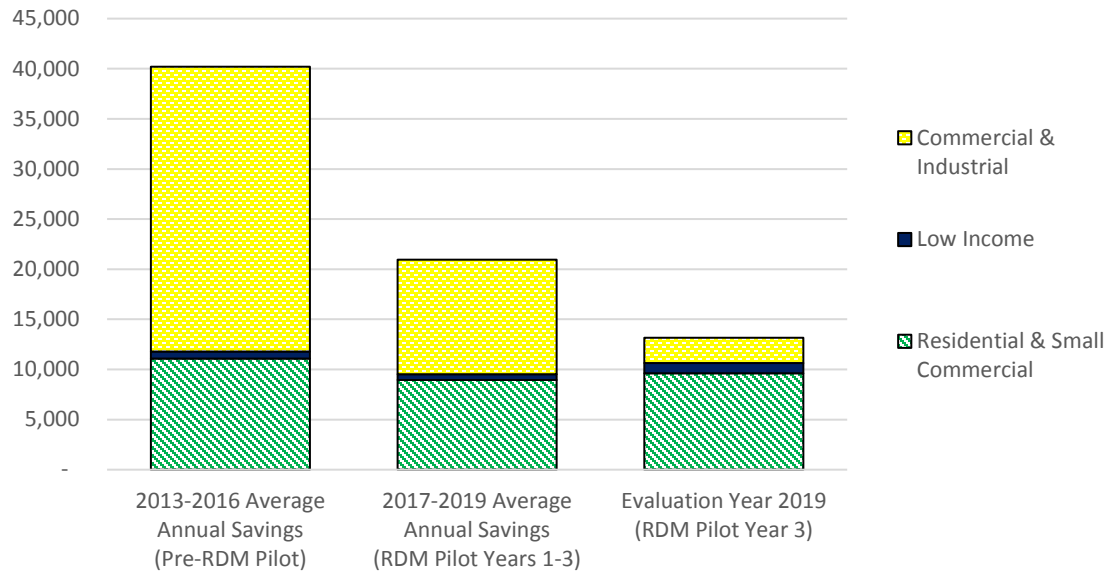
**Department Table 3. Great Plains' First-Year CIP Energy Savings (Dth) for 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

| Year/Period | Total Savings (Dth) |
|---|---|
| 2013 | 14,969 |
| 2014 | 19,788 |
| 2015 | 69,393 |
| 2016 | 56,669 |
| **2013-2016 Average (Pre-RDM)** | **40,205** |
| 2017 | 13,577 |
| 2018 | 36,083 |
| Evaluation Year 2019 (RDM Pilot Year 3) | 13,175 |
| **2017-2019 Average (RDM Pilot Years 1-3)** | **20,945** |

Figure 2 and Table 3 demonstrate that Great Plains saved an average of 40,205 Dth/year prior to the implementation of the RDM Pilot, and has saved an average of 20,945 Dth/year in the three years that the RDM Pilot has been in place. In Evaluation Year 2019, Great Plains saved 13,175 Dth, which is 67.2 percent less than the Pre-RDM average.

The following figure shows the average first-year energy savings for 2013-2016 (Pre-RDM), 2017-2019 (RDM Years 1-3), and 2019 (RDM Year 3) by customer segment.

**Department Figure 3. Great Plains' Average Annual First-Year Savings (Dth) by Customer Segment, Pre-RDM, RDM Years 1-3, and RDM Year 3**



The underlying data to Figure 3 is presented in Table 4 below.

**Department Table 4. Average Annual First-Year Savings by Customer Segment, Pre-RDM, RDM Years 1-3, and RDM Year 3**

| | Annual First-Year Savings (Dth) | | |
|---|---|---|---|
| **Customer Segment** | **2013-2016 Average (Pre-RDM Pilot)** | **2017-2019 Average (RDM Pilot Years 1-3)** | **2019 Evaluation Year (RDM Year 3)** |
| Residential & Small Commercial | 11,091 | 8,942 | 9,621 |
| Low Income | 688 | 566 | 1,027 |
| Commercial & Industrial | 28,427 | 11,437 | 2,527 |
| **Overall Program** | **40,205** | **20,945** | **13,175** |

Figure 3 and Table 4 demonstrate that on average, Great Plains saved more for each customer segment prior to the implementation of the RDM Pilot than compared to the three years that the RDM Pilot has been in place. In Evaluation Year 2019, Great Plains saved 1,027 Dth for the low income segment, which is 49.4 percent more than the Pre-RDM low income segment average. However, decreases in savings in the other two customer segments outweighed the low income segment, resulting in an overall decline in 2019 savings compared to Pre-RDM averages.

As mentioned earlier, Great Plains' energy savings performance tends to be largely dependent on the presence or absence of custom projects; both the Department and the Company have noted this fact in prior evaluation reports. Table 5 below shows the historical impact of custom projects on energy savings for all years (2013-2019), both within the commercial and industrial customer segment and the total program portfolio.

**Department Table 5: Savings (Dth) and Impacts (%) of Great Plains' Custom Projects on the Commercial/Industrial Segment and Overall Program**

| | Overall Program | Commercial & Industrial Total | | Custom Projects | | Commercial and Industrial without Custom Projects | |
|---|---|---|---|---|---|---|---|
| Year | Savings (Dth) | Savings (Dth) | Percentage of Overall Program Savings (%) | Savings (Dth) | Percentage of Overall Program Savings (%) | Savings (Dth) | Percentage of Overall Program Savings (%) |
| 2013 | 14,969 | 3,886 | 26% | 181 | 1% | 3,705 | 25% |
| 2014 | 19,788 | 7,476 | 38% | - | - | 7,476 | 38% |
| 2015 | 69,393 | 57,134 | 82% | 51,068 | 74% | 6,066 | 9% |
| 2016 | 56,669 | 45,211 | 80% | 41,187 | 73% | 4,024 | 7% |
| 2017 | 13,577 | 5,940 | 44% | - | - | 5,940 | 44% |
| 2018 | 36,083 | 25,844 | 72% | 24,646 | 68% | 1,198 | 3% |
| 2019 | 13,175 | 2,527 | 19% | - | - | 2,527 | 19% |
| **Average 2013-2019** | **31,951** | **21,145** | **51%** | **29,271** | **54%** | **4,419** | **21%** |

Table 5 demonstrates that while custom projects did not occur every year, on average they constituted 54 percent of Great Plains' total annual energy savings across all programs. As a result, the commercial and industrial segment comprises a much higher percentage of total CIP savings when custom projects are included (at 51 percent of total savings), than when they are not included (at 21 percent of total savings). Table 5 also shows how variable the commercial and industrial savings are, as the differential between the highest year and lowest year savings is much greater when custom projects are included (57,134 Dth in 2015 and 2,527 Dth in 2019) than when they are not (5,940 Dth in 2017 and 1,198 Dth in 2018). In other words, removing custom projects from the commercial and industrial segment stabilizes the Company's savings figures for analysis purposes.

In Figure 4 below, the Department categorized total average annual savings as either custom projects or not, then compared average savings for 2013-2016 (Pre-RDM), 2017-2019 (RDM Years 1-3), and Evaluation Year 2019 (RDM Year 3).

**Department Figure 4: Great Plains' Average Annual First-Year Savings (Dth) due to Custom Projects and Non-Custom Projects, Pre-RDM, RDM Years 1-3, and RDM Year 3**

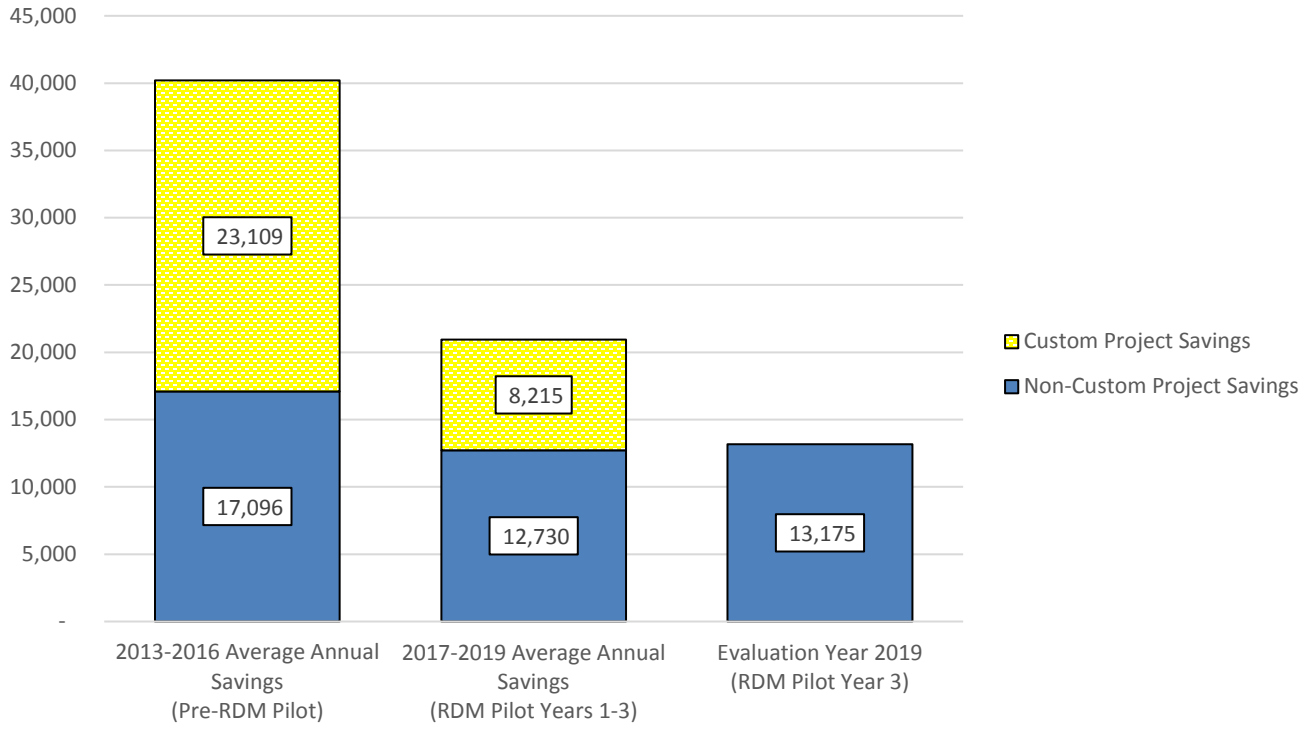



Table 6 shows the underlying data behind Figure 4.

**Department Table 6. Average Annual First-Year Savings by Customer Segment, Pre-RDM, RDM Years 1-3, and RDM Year 3**

| | Annual First-Year Savings (Dth) | | |
|---|---|---|---|
| | **2013-2016 Average (Pre-RDM Pilot)** | **2017-2019 Average (RDM Pilot Years 1-3)** | **2019 Evaluation Year (RDM Year 3)** |
| Non-Custom Projects | 17,096 | 12,730 | 13,175 |
| Custom Projects | 23,109 | 8,215 | - |
| Total | 40,205 | 20,945 | 13,175 |

Figure 4 and Table 6 demonstrate that on average, when custom projects are taken out of the equation, the decreases in savings that Great Plains experienced are much less pronounced when comparing Pre-RDM savings to RDM Years 1-3 savings, even though there are still decreases.

In Evaluation Year 2019, Great Plains did not have any custom projects. However, when custom projects are removed from Pre-RDM savings average, Evaluation Year 2019 performed better than in 2017-2019 on average, yet lower than in the Pre-RDM period. Without custom projects included in Pre-RDM averages, Great Plains saved 22.9 percent less in Evaluation Year 2019 (13,175 Dth) than the Pre-RDM average (17,096 Dth). When custom projects are included, Great Plains saved 67.2 percent less in 2019 compared to the Pre-RDM average (40,205 Dth), established both here and in Figure 2 and Table 3 above.

At no point since 2013, either before or after the implementation of the RDM Pilot, has Great Plains reached the 1.5 percent of retail sales goal included in the CIP Statute. Figure 5 below shows the Company's CIP energy savings as a percent of weather-normalized retail sales for years 2013-2019.

**Department Figure 5. Great Plains' First-Year CIP Energy Savings as a Percentage of Weather-Normalized Sales (%), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

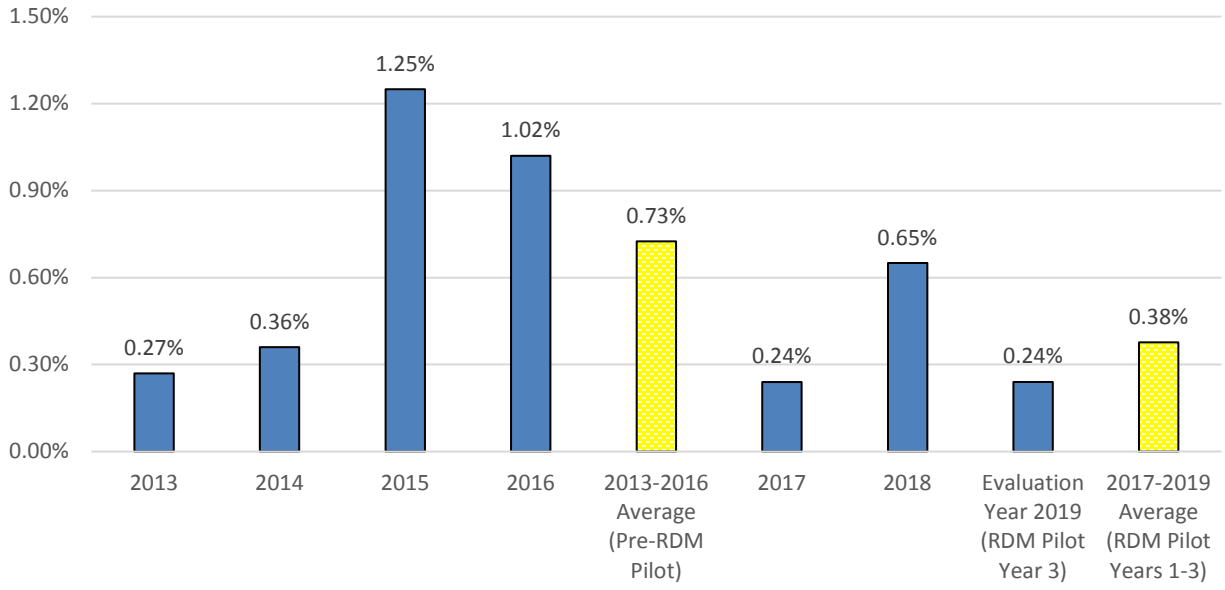


Table 7 below shows the data that informs Figure 5.

**Department Table 7. Great Plains' First-Year CIP Energy Savings as a Percentage of Weather-Normalized Sales (%), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

| CIP Plan Period | Year/Evaluation Period | 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% |
| | 2013-2016 Average (Pre-RDM Pilot) | 5,570,068 | 40,205 | 0.73% |
| 2017-2019 Triennial Period | 2017 | 5,580,608 | 13,577 | 0.24% |
| | 2018 | 5,580,608 | 36,083 | 0.65% |
| | Evaluation Year 2019 (RDM Pilot Year 3) | 5,580,608 | 13,175 | 0.24% |
| | 2017-2019 Average (RDM Pilot Years 1-3) | 5,580,608 | 20,945 | 0.38% |

Figure 5 and Table 7 demonstrate that Great Plains saved an average of 0.73 percent of sales prior to the implementation of the RDM Pilot, and has saved an average of 0.38% of sales in the three years that the RDM Pilot has been in place. In Evaluation Year 2019, Great Plains saved 0.24 percent of sales, or 47.9 percent less than the Pre-RDM average. While these decreases in energy savings are significant, they also represent savings that includes custom projects. As with nominal energy savings, Great Plains' decrease in energy savings as a percentage of sales from Pre-RDM averages would be much smaller without the inclusion of custom projects.

Great Plains also reported lifetime energy savings data for years 2013-2019. Figure 6 shows the annual lifetime savings for each year between 2013 and 2019, and includes the Pre-RDM and RDM Years 1-3 averages.

**Department Figure 6. Great Plains' Lifetime Energy Savings (Dth), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

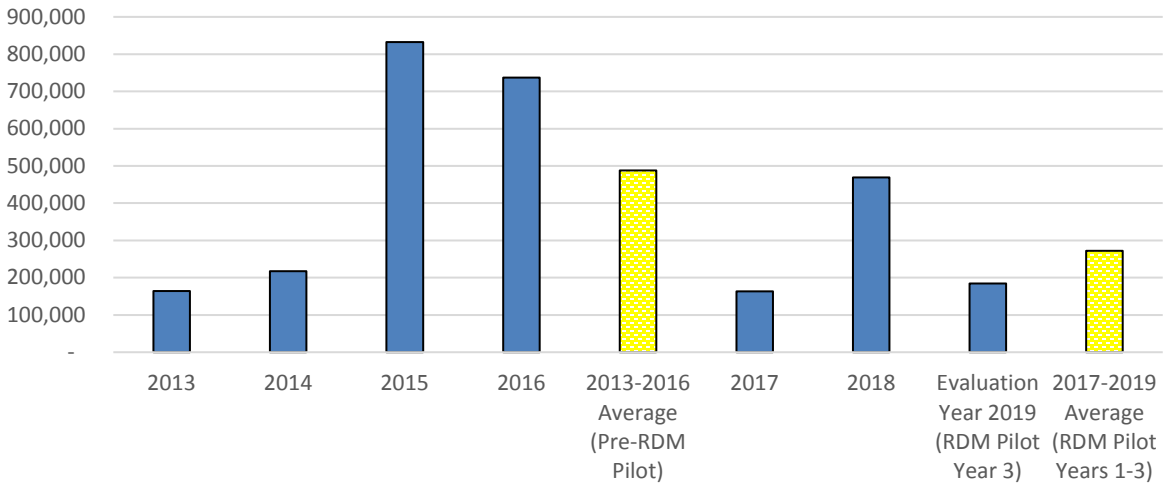



Figure 6 is informed by data in Table 8 below.

**Department Table 8. Great Plains' Lifetime Energy Savings (Dth), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

| Year/Period | Lifetime Energy Savings Created Annually (Dth) |
|---|---|
| 2013 | 164,294 |
| 2014 | 217,757 |
| 2015 | 832,716 |
| 2016 | 736,697 |
| **2013-2016 Average (Pre-RDM Pilot)** | **487,866** |
| 2017 | 162,924 |
| 2018 | 469,079 |
| Evaluation Year 2019 (RDM Pilot Year 3) | 184,450 |
| **2017-2019 Average (RDM Pilot Years 1-3)** | **272,151** |

Figure 6 and Table 8 demonstrate that Great Plains produced average lifetime savings of 487,866 Dth/year prior to the implementation of the RDM Pilot, and has produced average lifetime savings of 272,151 Dth/year in the three years that the RDM Pilot has been in place. In Evaluation Year 2019, Great Plains produced 184,450 Dth in lifetime savings, which is 62.2 percent less than the Pre-RDM average.

The increased lifetime savings in 2015 and 2016, and rebound in savings in 2018, are likely related to increases in custom project savings in those three years. The Company did not provide lifetime savings figures with custom projects removed, so the Department did not examine these. However, it is reasonable to assume that they follow a similar pattern as first-year savings in that the drop in savings from Pre-RDM years is not as pronounced when custom projects are removed. The Department notes that going forward there may be adjustments to lifetime savings when new CIP triennial filings are made by the Company since lifetime savings assumptions may change between filings.

In examining first-year energy savings, first-year savings as a percent of sales, and lifetime savings, the Department continues to be troubled by the lack of improvement in Great Plains' energy savings since the implementation of the RDM Pilot. Great Plains has cited low natural gas prices as one of the biggest factors impacting customers' interest in energy-saving projects. The Department does not dispute that natural gas prices are lower; however, gas prices are only one of several factors influencing customer interest in conservation (*e.g.,* minimizing utility bills, concern for the environment, the state of the economy). It is interesting to note that although gas prices affect all customer segments, each customer segment is experiencing different energy savings trends. As shown in Table 4 above, the commercial and industrial segment has been most heavily impacted; this segment had an average annual first year savings decrease of 59.8 percent from Pre-RDM years to RDM Years 1-3 (28,427 Dth to 11, 437 Dth) and a decrease of 91.1 percent from Pre-RDM Years to RDM Year 3 (28,427 Dth to 2,527 Dth). Contrast to this, the residential and small commercial segment experienced much smaller drops in energy savings; this segment had an average annual savings decrease of 19.4 percent from Pre-RDM years to RDM Years 1-3 (11,091 Dth to 8,942 Dth) and a 13.3 percent decrease from Pre-RDM to RDM Year 3 (11,091 Dth to 9,621 Dth). The low income segment had an average annual savings decrease of 17.6 percent from Pre-RDM years to RDM Years 1-3 (688 Dth to 566 Dth) and an average savings *increase* of 49.4 percent from Pre-RDM years to RDM Year 3 (688 Dth to 1,027 Dth).

The Department is aware that decoupling does not directly lead to energy conservation; however, this rate design mechanism is designed to remove the disincentive of lost sales. As such, the Department expects, all else being equal, an increase or maintenance of energy savings levels when an RDM is in place. In addition, the Department notes that Minnesota Statute § 216B.2412, Subd. 3, which governs pilot decoupling programs, directs the Commission to:

> …assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. 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.

The wording in Minnesota Statute 216B.2412 is clear that achieving energy conservation is an important part of assessing the merits of a decoupling pilot. Thus, a decrease in energy conservation, even after savings from custom projects is removed, calls into question whether extension of the pilot or creation of a permanent decoupling adjustment is prudent. The Department will continue to monitor this metric in Great Plains' next evaluation report to determine assess the level of energy savings with the RDM Pilot.

*2. Energy Savings Expenditures*

Great Plains submitted data on energy savings expenditures for years 2013-2019, which the Department has summarized in Figure 7 below.

**Department Figure 7. Great Plains' Annual Energy Savings Expenditures ($), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

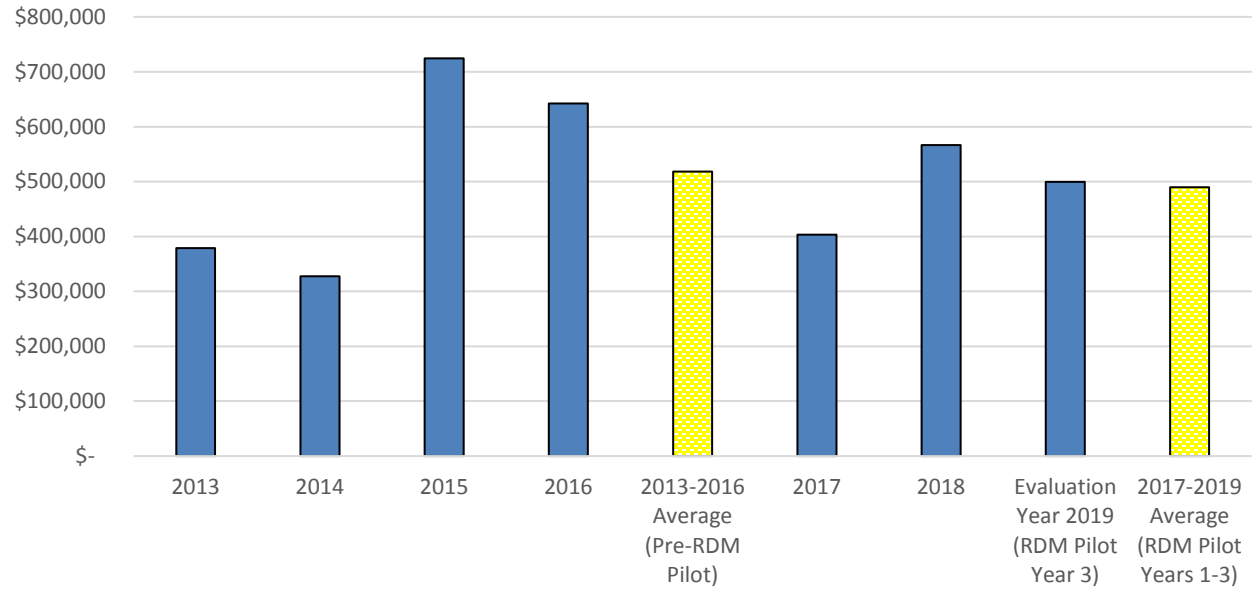



Table 9 below contains the data informing Figure 7.

**Department Table 9. Great Plains' Annual Energy Savings Expenditures ($), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average**

| | **Total Expenditures** |
|---|---|
| 2013 | $ 378,793 |
| 2014 | $ 327,380 |
| 2015 | $ 724,644 |
| 2016 | $ 642,143 |
| **2013-2016 Average (Pre-RDM Pilot)** | **$ 518,240** |
| 2017 | $ 403,118 |
| 2018 | $ 566,621 |
| Evaluation Year 2019 (RDM Pilot Year 3) | $ 499,310 |
| **2017-2019 Average (RDM Pilot Years 1-3)** | **$ 489,683** |

Figure 7 and Table 9 demonstrate that Great Plains spent an average of $518,240/year prior to the RDM Pilot, and has spent an average of $489,683/year in the three years that the RDM Pilot has been in place. In 2019, Great Plains spent $499,310, which is 3.7 percent less than the Pre-RDM average.

Great Plains also reported CIP expenditure data by customer segment and Next Generation Energy Act Assessments. Figure 8 shows the 2013-2019 expenditure categories.

**Department Figure 8. Great Plains' Annual CIP Expenditures by Customer Segment, with Assessments ($), 2013-2019**

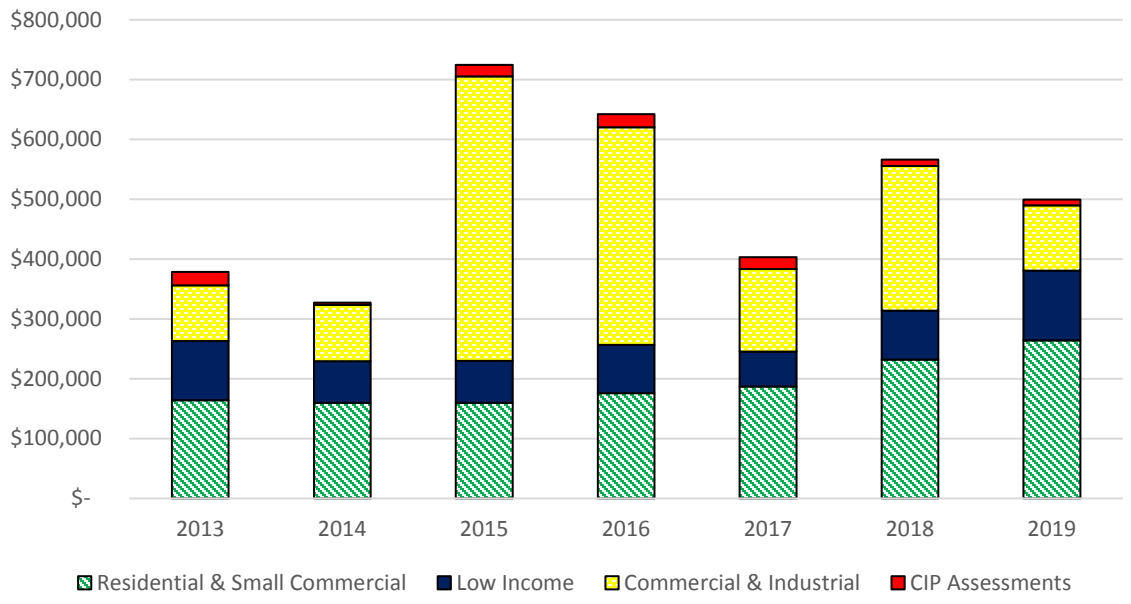



Table 9 below shows the data underlying Figure 8.

**Department Table 9. Great Plains' Annual CIP Expenditures by Customer Segment ($), 2013-2019**

| | Residential & Small Commercial | Low Income | Commercial & 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 |
| 2017 | $187,072 | $ 58,553 | $138,061 | $ 19,432 | $403,118 |
| 2018 | $232,027 | $ 82,136 | $241,294 | $ 11,164 | $566,621 |
| 2019 | $264,165 | $116,602 | $109,349 | $ 9,194 | $499,310 |

Figure 6 and Table 9 demonstrate that Great Plains' CIP spending tends to follow the same trends as its energy savings. That is, the Company tends to spend the least amount (after assessments) on the low income segment, but the spending for the commercial and industrial segment tends to be the most variable (with a high spend in 2015 of $475,518 and a low spend

in 2013 of $92,875). As with the savings variability in the commercial and industrial segment, the spending variability is likely due to the presence or absence of custom projects. Notably, however, Great Plains spent more on the low income segment than the commercial and industrial segment in two years: 2013 and 2019.

The following figure shows the average annual CIP expenditures for 2013-2016 (Pre-RDM), 2017-2019 (RDM Years 1-3), and 2019 (RDM Year 3) by customer segment.

**Department Figure 9. Great Plains' Average Annual CIP Expenditures by Customer Segment, Pre-RDM, RDM Years 1-3, and RDM Year 3**

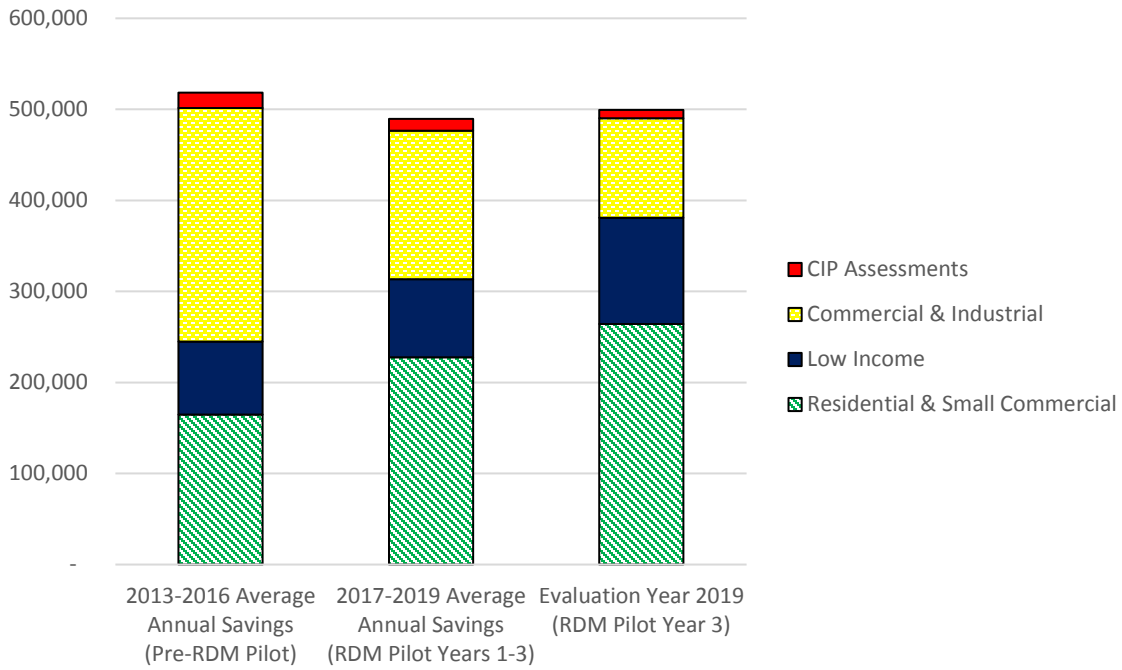



Table 10 shows the underlying data that informs Figure 9.

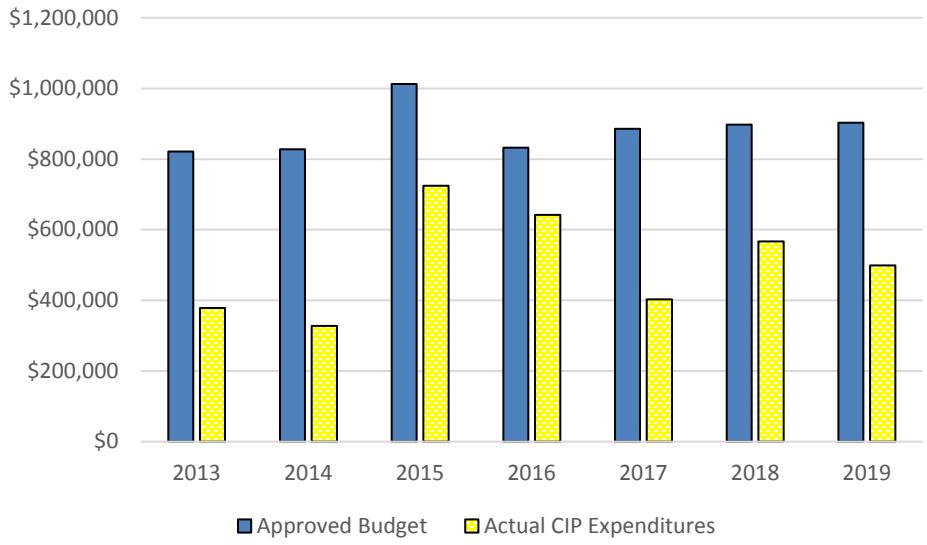
**Department Table 10. Great Plains' Average Annual CIP Expenditures by Customer Segment, Pre-RDM, RDM Years 1-3, and RDM Year 3**

| | Average Annual CIP Expenditures ($) | | |
|---|---|---|---|
| **Customer Segment** | **2013-2016 (Pre-RDM)** | **2017-2019 (RDM Years 1-3)** | **Evaluation Year 2019 (RDM Year 3)** |
| Residential & Small Commercial | 164,799 | 227,755 | 264,165 |
| Low Income | 80,137 | 85,764 | 116,602 |
| Commercial & Industrial | 256,494 | 162,901 | 109,349 |
| CIP Assessments | 16,811 | 13,263 | 9,194 |
| Overall Program | 518,240 | 489,683 | 499,310 |

Figure 9 and Table 10 demonstrate that compared to the Pre-RDM period, Great Plains spent more on average for the residential/small commercial and low income segments in the three years that the RDM Pilot has been in place. The opposite is true for the commercial and industrial segment: the Pre-RDM average spend for that customer segment was $256,494/year, while in the three years that the RDM has been in place, the average spend was $162,901/year. In Evaluation Year 2019, Great Plains spent more on both the residential/small commercial and low income segments than it did in Pre-RDM averages. However, in Evaluation Year 2019, the Company spent significantly less on commercial and industrial savings than in Pre-RDM Years; the 2019 spend for this class was $109,349, or 57.4 percent less.

Great Plains also provided information on the budgeted versus authorized CIP expenditures for 2013-2019, shown in Figure 10 below.

**Department Figure 10. Great Plains' Budgeted vs. Actual CIP Expenditures, 2013-2019**




This data is summarized in Table 11 below; the Department has also included a column representing the budget shortfall, or difference between approved budget and actual expenditures.

**Department Table 11. Great Plains' Approved Budget, Actual Expenditures, and Budget Shortfall, 2013-2019**

| Year/Period | Approved Budget | Actual CIP Expenditures | Shortfall |
|---|---|---|---|
| 2013 | $821,691 | $378,793 | $442,898 |
| 2014 | $827,718 | $327,380 | $500,338 |
| 2015 | $1,012,597 | $724,644 | $287,953 |
| 2016 | $832,597 | $642,143 | $190,454 |
| 2017 | $885,396 | $403,118 | $482,278 |
| 2018 | $897,408 | $566,621 | $330,787 |
| 2019 | $902,858 | $499,310 | $403,548 |

Figure 10 and Table 11 demonstrate that Great Plains has consistently fallen short of its approved budget; at no point, either before or after the implementation of the RDM, has the Company met or exceeded its CIP budget.

In Figure 11 below, the Department compares the average budget shortfall for 2016-2016 (Pre-RDM), 2017-2019 (RDM Years 1-3), and Evaluation Year 9 (RDM Year 3).

**Department Figure 11. Average Difference between Great Plains' Approved and Actual CIP Expenditures ($), Pre-RDM, RDM Years 1-3, and RDM Year 3**

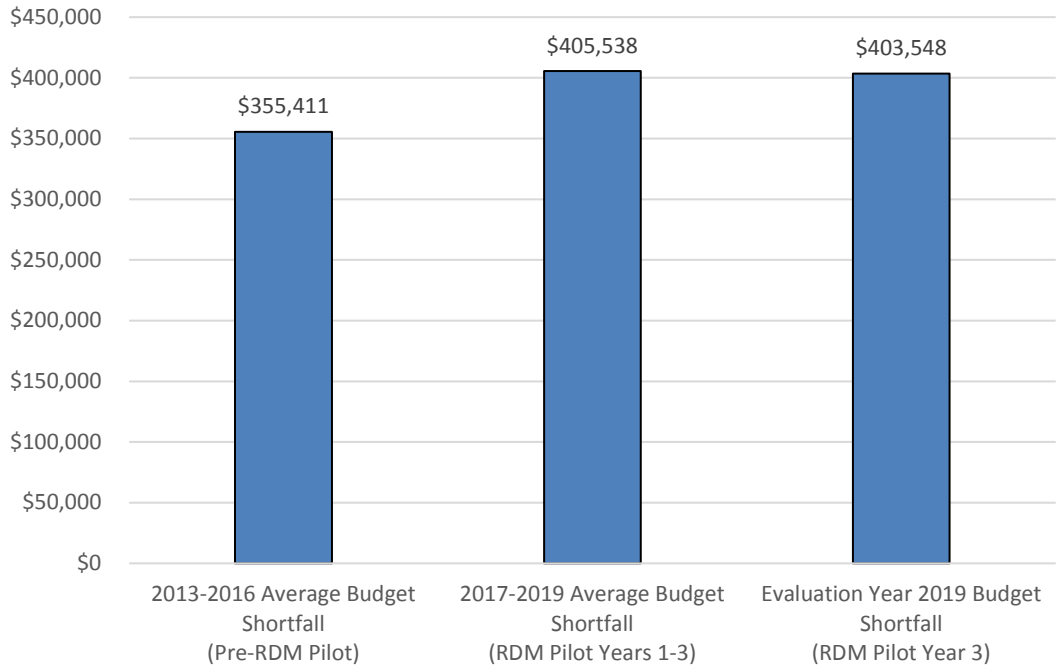


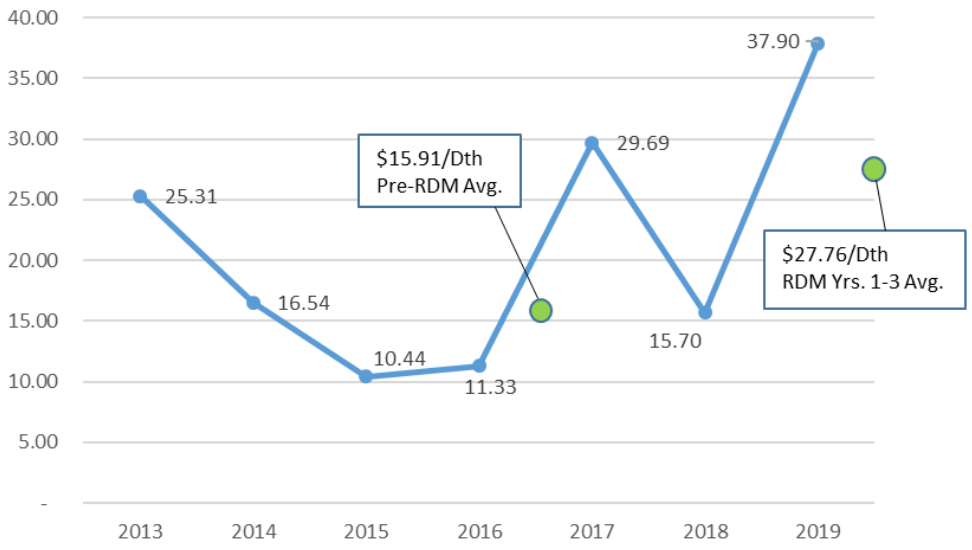

Figure 11 demonstrates that on average, Great Plains has had a greater budget shortfall in RDM Years 1-3 (average of $405,538/year less than approved) than in Pre-RDM years (average of $355,411/year less than approved). In other words, Great Plains has been spending even less that its approved budget than before the implementation of the RDM. In Evaluation Year 2019, Great Plains spent $403,548 less than its approved budget, which is 13.5 percent less than its average Pre-RDM budget shortfall.

In its January 30, 2020 Order accepting CenterPoint Energy Natural Gas's (CenterPoint) 2019 revenue decoupling evaluation report, (Docket No. G008/M-19-558) the Commission requested that CenterPoint work with the Department of Commerce and other stakeholders on the development of a more streamlined annual revenue decoupling evaluation report. In its conversations so far, the Department has discussed reducing the amount of CIP expenditures data that should be required. However, the Department provides this expenditure analysis here to give the Commission a general picture of the state of Great Plains' CIP expenditures as they relate to the RDM.

*3. Changes in Cost per Dth Saved*

Figures 12 and 13 below show the first-year and lifetime savings costs (in $/Dth saved) for Great Plains' CIP achievements over the period 2013-2019.[6] The figures also each note the Pre-RDM (2013-2016) average savings cost and the RDM Pilot Years 1-3 (2017-2019) average savings cost.

**Department Figure 12. Average First-Year Energy Savings Cost ($/Dth), 2013-2019, with Pre-RDM Average (2013-2016) and RDM Pilot Years 1-3 Average (2017-2019)**




As shown in Figure 12, the cost per Dth for first-year savings was highest in 2019 and lowest in 2015. The average first-year savings cost was $15.91/Dth in the Pre-RDM Period (2013-2016), $27.76/Dth in RDM Years 1-3 (2017-2019), and $37.90/Dth in RDM Year 3 (2019).

[6] These figures include assessment expenditures.

**Department Figure 13. Average Lifetime Energy Savings Cost ($/Dth), 2013-2019, with Pre-RDM Average (2013-2016) and RDM Pilot Years 1-3 Average (2017-2019)**

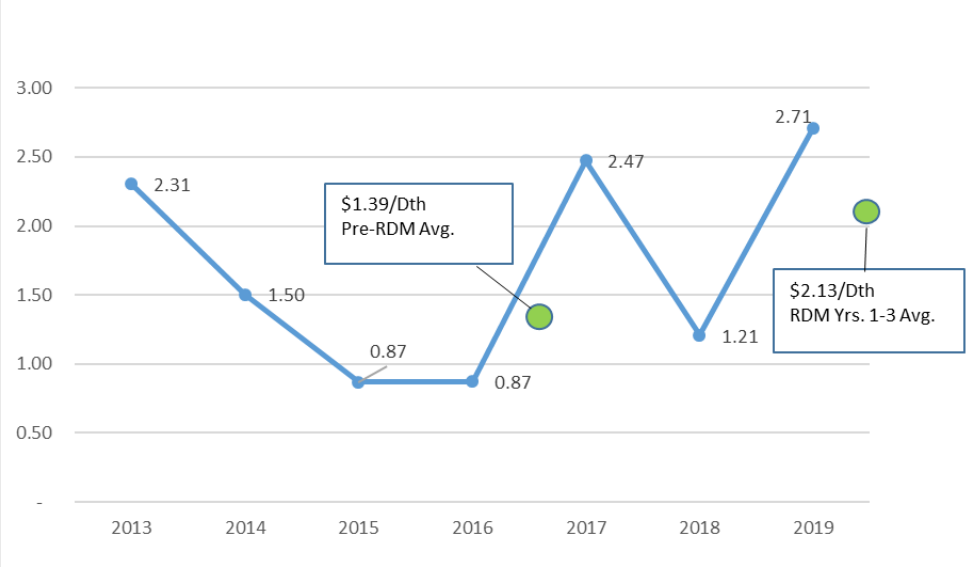



Figure 13 shows that lifetime savings costs follow a very similar trend as first-year savings costs: the cost per Dth for lifetime savings was highest in 2019 and lowest in 2015. The average lifetime savings cost was $1.39/Dth in the Pre-RDM Period (2013-2016), $2.13/Dth in RDM Years 1-3 (2017-2019), and $2.71/Dth in RDM Year 3 (2019).

As mentioned in the previous section, the Department notes that 2019 has had the highest savings cost of any year over the 2013-2019 period; in other words, it produced the least cost effective savings. In Figure 14 below, the Department examined the savings cost for each customer segment in Pre-RDM years, RDM Years 1-3, and RDM Year 3.

**Department Figure 14. Great Plains' Savings Cost ($/Dth) by Customer Segment, Pre-RDM (2013-2016), RDM Pilot Years 1-3, and 2019 Evaluation Year**

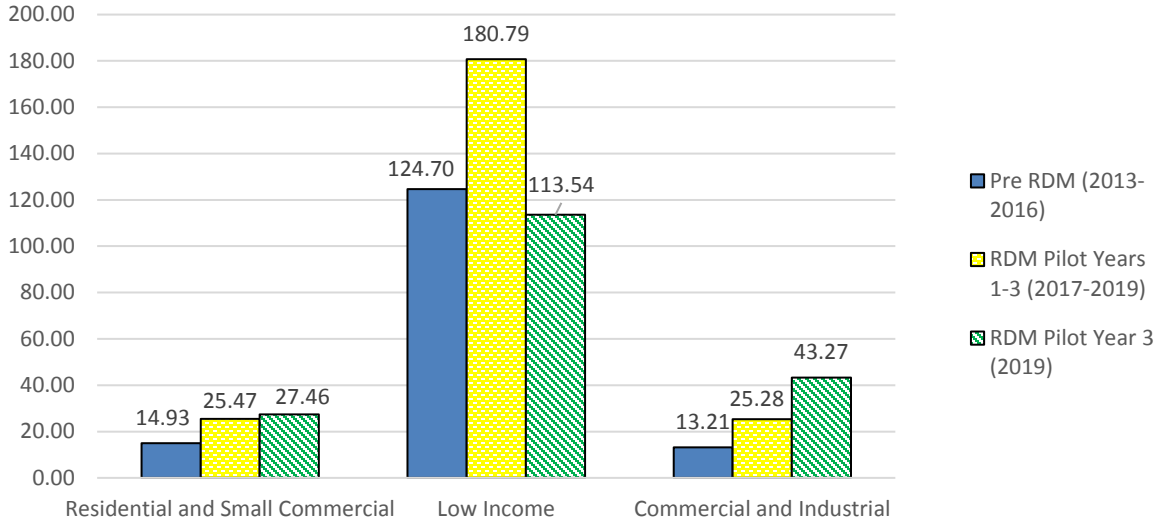



Figure 14 shows that the low income segment typically is the least cost-effective, which would pull the total program saving cost up as low income savings increase, as they did in 2019. Additionally, in Evaluation Year 2019:

- The residential and small commercial segment had a savings cost that was 83.9 percent higher than its Pre-RDM average ($27.46/Dth in 2019 vs. $14.93/Dth Pre-RDM);
- The low income segment had a savings cost that was 8.9 percent lower than its Pre-RDM average ($113.40/Dth in 2019 vs. $124.70/Dth Pre-RDM);
- The commercial and industrial segment had a savings cost that was 227.6 percent higher than its Pre-RDM average ($43.27/Dth in 2019 vs. $13.21/Dth Pre-RDM).

These trends indicate that, the higher savings cost in Evaluation Year 2019 is likely also influenced by the growth in savings costs of the residential/small commercial and commercial/industrial customer segments.

## *D. HISTORY OF REVENUE COLLECTION AND USE PER CUSTOMER*

### *1. Under/Over Recovery of Revenues*

In Attachment A of the Third Evaluation Report, Great Plains included schedules detailing its calculations of the RDM Pilot adjustments.[7] The adjustments are calculated by comparing the evaluation period (January 2019 to December 2019) actual revenue per customer (RPC), by rate class, with the Designed Revenue per customer (excluding CIP) from Great Plains' prior rate case (Docket No. G004/GR-15-879).

In calendar year 2019, Great Plains over-recovered its RDM relative to Designed Revenues for the following rate classes: Residential N60 and S60, Firm General N70 and S70, and Small Interruptible S71 & S81. As noted in Section II.A above, all over-recoveries are returned to ratepayers through future RDM adjustments. Great Plains under-recovered relative to Designed Revenues for the remaining rate classes: Small Interruptible N71 & N81, Large Interruptible N85 & N82, and Large Interruptible S85 and S82.

The under-recoveries compared to the Designed Revenues were below 10 percent for all but the Large Interruptible S85 & S82.

Table 12 below illustrates Great Plains' under- and over-recoveries.

[7] Great Plains provided electronic spreadsheets detailing its calculations to the Department via email.

**Department Table 12: Calculation of Under (Over Recovery) for Great Plains' Proposed Evaluation Period of January 1, 2019, to December 31, 2019**

| Customer Class | Actual Customer Count | Authorized Customer Count | Actual Revenues | Designed Revenues | Actual Rev/ Customer | Authorized Rev/ Customer | Non-Gas Margin Cap | Calendar Year 2019 Net Under(Over) | | 10% Cap | Decoupling Revenue | Under/(Over) Prior Period Adjustment* | Net Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Residential —N60 | 8,617 | 8,499 | $1,986,150 | $1,899,359 | $230.49 | $220.42 | $1,899,359 | ($86,791) | (4.57)% | N/A | ($86,791) | ($60,290) | ($147,081) |
| Residential —S60 | 10,349 | 10,337 | $2,281,073 | $2,169,875 | $220.41 | $209.67 | $2,169,875 | ($111,198) | (5.12)% | N/A | ($111,198) | ($53,713) | ($164,911) |
| Firm General— N70 | 1,276 | 1,271 | $1,097,517 | $1,052,930 | $860.12 | $825.18 | $1,052,930 | ($44,587) | (4.23)% | N/A | ($44,587) | ($12,790) | ($57,377) |
| Firm General— S70 | 1,758 | 1,732 | $1,542,499 | $1,521,619 | $877.42 | $865.54 | $1,521,619 | ($20,880) | (1.37)% | N/A | ($20,880) | $28,030 | $7,150 |
| Small IT— N71 and N81 | 61 | 72 | $499,351 | $536,699 | $8,186.08 | $7,454.15 | $536,699 | $37,348 | 6.96% | $53,669 | $37,348 | ($14,561) | $22,787 |
| Small IT— S71 and S81 | 64 | 72 | $580,797 | $541,224 | $9,074.95 | $7,517.00 | $541,224 | ($39,573) | (7.31)% | N/A | ($39,573) | ($145) | ($39,718) |
| Large IT— N85 and N82 | 8 | 6 | $254,964 | $256,835 | $31,870.50 | $32,104.33 | $256,835 | $1,871 | 0.73% | $25,683 | $1,871 | $8,445 | $10,316 |
| Large IT— S85 and S82 | 7 | 7 | $468,953 | $540,538 | $66,993.29 | $77,219.71 | $540,538 | $71,585 | 13.24% | $54,054 | $71,585 | $15,542 | $69,596 |

*Balance as of March 1, 2020.

For the calendar year 2019 evaluation period, only the Large IT South customer class encountered the 10 percent cap on surcharges and no classes experienced an over-recovery of over 10 percent. As noted in Section II.A above, refunds to ratepayers are not capped by the RDM tariff.

The RDM factors and decoupling revenues that Great Plains proposes to recover from ratepayers are shown in Table 13 below.

**Department Table 13. Per-Therm Surcharges/(Refunds) by Rate Class**

| Customer Class | RDM Factor ($/Dth) | Decoupling Revenue |
|---|---|---|
| Residential—N60 | $ (0.2038) | ($147,081) |
| Residential—S60 | $ (0.2047) | ($164,911) |
| Firm General—N70 | $ (0.1244) | ($57,377) |
| Firm General—S70 | $ 0.0090 | $7,150 |
| Small IT--North | $ 0.0795 | $22,787 |
| Small IT--South | $ (0.1182) | ($39,718) |
| Large IT--North | $ 0.0360 | $10,316 |
| Large IT--South | $ 0.0788 | $69,596 |
| Total Net Decoupling Revenue | | **($299,238)** |

The RDM factors and revenues presented in Table 13 above include recovery from the current decoupling period (calendar year 2019) and prior period collection. The Department reviewed the electronic spreadsheets provided to the Department by email and confirmed that the calculations and resulting RDM factors and decoupling revenue are reasonable, save for the Large IT- North rates. As discussed above, Great Plains will need to adjust this rate to reflect the Department's recommendation to use flex revenues for the new Large IT North customer in the calculation.

Table 14 below shows the monthly average surcharge/(refund) expected for each customer class based on information provided in Great Plains' Exhibit B of its Third Evaluation Report.

**Department Table 14. Monthly Average Surcharge/(Refund) for an Average Customer by Customer Class**

| Customer Class | Decoupling Adjustment | Average Monthly Use (Dth) | Average Monthly Cost/(Refund) |
|---|---|---|---|
| Residential—N60 | $ (0.2038) | 7.0 | ($1.43) |
| Residential—S60 | $ (0.2047) | 6.5 | ($1.33) |
| Firm General—N70 | $ (0.1244) | 30.2 | ($3.76) |
| Firm General—S70 | $ 0.0090 | 37.5 | $0.34 |
| Small IT--North | $ 0.0795 | 367.6 | $29.22 |
| Small IT--South | $ (0.1182) | 400.1 | ($47.29) |
| Large IT--North | $ 0.0360 | 3,413.1 | $122.87 |
| Large IT--South | $ 0.0788 | 12,266.3 | $966.58 |

## III. CONCLUSIONS AND RECOMMENDATIONS

Based on its review of the Company's Third Evaluation Report, the Department concludes that Great Plains complied with the Commission's directives as required in its *February 7 Order* and *August 23 Order*. However, Great Plains should recalculate the Large Interruptible North rates, using the new N82 customer's revenues approved in the rate case as that customer's Designed Revenues.

The Department recommends that the Commission:

- approve the RDM factors presented in Great Plains' February 28, 2020 filing and reproduced in Table 13 above, once the Large Interruptible North rates have been recalculated to reflect the Department's recommendation;
- approve the proposed tariff changes as presented in Great Plains' February 28, 2020 filing, once the Large Interruptible North rates have been recalculated to reflect the Department's recommendation; and
- continue to allow Great Plains to continue its RDM Pilot for calendar year 2020.

/ja

**CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce**
**Comments**

**Docket No. G004/M-20-335**

Dated this **1st** day of **June 2020**

**/s/Sharon Ferguson**

| First Name | Last Name | Email | Company Name | Address | Delivery Method | View Trade Secret | Service List Name |
|---|---|---|---|---|---|---|---|
| Generic Notice | Commerce Attorneys | commerce.attorneys@ag.state.mn.us | Office of the Attorney General-DOC | 445 Minnesota Street Suite 1400<br>St. Paul,<br>MN<br>55101 | Electronic Service | Yes | OFF_SL_20-335_M-20-335 |
| Sharon | Ferguson | sharon.ferguson@state.mn.us | Department of Commerce | 85 7th Place E Ste 280<br>Saint Paul,<br>MN<br>551012198 | Electronic Service | No | OFF_SL_20-335_M-20-335 |
| Travis | Jacobson | travis.jacobson@mdu.com | Great Plains Natural Gas Company | 400 N 4th St<br>Bismarck,<br>ND<br>58501 | Electronic Service | No | OFF_SL_20-335_M-20-335 |
| Brian | Meloy | brian.meloy@stinson.com | STINSON LLP | 50 S 6th St Ste 2600<br>Minneapolis,<br>MN<br>55402 | Electronic Service | No | OFF_SL_20-335_M-20-335 |
| Generic Notice | Residential Utilities Division | residential.utilities@ag.state.mn.us | Office of the Attorney General-RUD | 1400 BRM Tower<br>445 Minnesota St<br>St. Paul,<br>MN<br>551012131 | Electronic Service | Yes | OFF_SL_20-335_M-20-335 |
| Will | Seuffert | Will.Seuffert@state.mn.us | Public Utilities Commission | 121 7th Pl E Ste 350<br>Saint Paul,<br>MN<br>55101 | Electronic Service | Yes | OFF_SL_20-335_M-20-335 |