

September 25, 2019

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

RE: Letter of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. G004/GR-15-879

Dear Mr. Wolf:

On September 6, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Order—Findings of Fact, Conclusions, and Order (Rate Case Order)* in Great Plains Natural Gas Company's (Great Plains or the Company) 2015 General Rate Case. In its *Rate Case Order*, the Commission approved a three-year pilot Revenue Decoupling Mechanism Rider (RDM Rider). On December 1, 2017, the Company filed its Decoupling Evaluation Report for Year 1 of the pilot period, and on March 1, 2019, Great Plains filed, in Docket No. G004/M-19-198, its Decoupling Evaluation Report for Year 2 of the pilot period.¹

On September 6, 2019, the Company filed a Letter requesting that the Commission approve a one-year extension to its pilot RDM Rider. Great Plains explained that a short extension was appropriate because the Company intends to request continuation of the RDM Rider in its upcoming rate case. The Company further explained that without an extension of the RDM Rider pilot, if the Commission ultimately approves continuation in the upcoming rate case, the RDM program would discontinue at the end of 2019 and then start again with the implementation of final rates in the upcoming rate case. Great Plains stated that allowing the RDM Pilot to lapse for a year would cause unnecessary customer confusion, which can be avoided with the one-year extension. The Company concluded its Letter by noting that the extension is also appropriate because the upcoming rate case offers the proper forum to evaluate whether Great Plains' RDM Rider pilot meets the statutory requirements in Minnesota Statute 216B.2412.

¹ On February 7, 2019, the Commission issued an Order clarifying that the evaluation period for the RDM Rider is for the calendar year. The Commission also ordered that future evaluation reports be filed by March 1 each year, in a new docket.

The reasonableness of Great Plains' proposed extension to its RDM Rider pilot is governed in part by Minnesota Statute 216B.2412, subd. 3, which states:

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 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.

As noted in the above quote, the Commission cannot approve an initial pilot that exceeds three years in length; however, the Commission may grant an extension beyond three years under certain circumstances. The requirement is that this extension can only be granted in a general rate case, unless the decoupling program was previously approved as part of a general rate case. Since the Commission approved the Company's RDM Rider pilot in the 2015 general rate case, Great Plains is allowed to request an extension in its September 6, 2019 Letter.

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed the Company's September 6, 2019 Letter and concludes that a one-year extension to Great Plains' RDM Rider pilot is reasonable. As noted in the Commission's March 29, 2019 Order Approving Refund in this proceeding, the decoupling mechanism is important to rectify an oversight within Great Plains' then-existing internal controls at the time of the Company's rate case. This issue is expected to be addressed going forward, when the Company files its new rate case.

In addition, as noted in its June 3, 2019 Comments in Docket No. G004/M-19-198, the Department raised concerns regarding Great Plains' level of energy savings and commitment to energy savings, as required by Minnesota Statute 216B.2412. Thus, an extension of one-year will provide the Commission with additional data to determine whether continuation of the RDM Rider is appropriate and, as noted by the Company in its September 6, 2019 Letter, the extension will provide parties additional time to further analyze the RDM Rider in the upcoming rate case.

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

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

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