BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

In the Matter of an Inquiry into the Financial Effects of COVID-19 on Natural Gas and Electric Utilities	ISSUE DATE: November 4, 2020 DOCKET NO. E,G-999/CI-20-425
In the Matter of the Petition of the Minnesota Rate Regulated Electric and Gas Utilities for Authorization to Track Expenses Resulting from the Effects of COVID-19 and Record and Defer Such Expenses into a Regulatory Asset	DOCKET NO. E,G-999/M-20-427 ORDER ADOPTING METHODOLOGY AND SETTING ADDITIONAL REQUIREMENTS

PROCEDURAL HISTORY

On April 20, 2020, Minnesota's rate-regulated electric and natural gas utility companies filed a petition in Docket No. E,G-999/M-20-427 requesting deferred accounting treatment of expenses incurred as a result of COVID-19 and the ongoing peacetime Emergency Executive Order 20-01 issued by Governor Walz.

On May 20, 2020, the Commission issued a notice requesting input on the financial effects of COVID-19 on the rate-regulated electric and natural gas utility companies. In particular, the notice requested that the utilities file an explanation of their proposed accounting methodology for tracking costs incurred and revenues or grants received as a result of COVID-19, as well as any known estimated costs and revenues.

On May 22, 2020, the Commission issued an order approving the utilities' (Joint Petitioners)[1] petition seeking deferred accounting of incremental costs incurred as a result of COVID-19, with an effective date of March 13, 2020. As part of its decision, the Commission also requested comments on related issues, including the following:

a. Stakeholder input on what actions the Commission should take including what type of information to gather, if any;

[1] The Joint Petitioners include: CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, Dakota Electric Association, Great Plains Natural Gas Co., Greater Minnesota Gas, Inc., Minnesota Energy Resources Corporation, Minnesota Power, Northern States Power Company d/b/a Xcel Energy and Otter Tail Power.

b. Input on how to identify the types of financial impacts that could be considered COVID-related, including cost increases and decreases, revenue increases and decreases, and investments, as well as what off-sets there may be; and

c. Information on the financial effects on the utilities of the pandemic.

On May 27, 2020, the Office of the Attorney General—Residential Utilities Division (OAG) filed comments.

Between June 10 and July 10, 2020, the Commission received comments from the Joint Petitioners; Great Plains Natural Gas Co.; Minnesota Energy Resources Corporation (MERC); Otter Tail Power Company; Minnesota Power; CenterPoint Energy; Greater Minnesota Gas; Dakota Electric Association; Xcel Energy; the Department of Commerce, Division of Energy Resources (the Department); the OAG; and the Minnesota Large Industrial Group.

On July 20, 2020, the Commission received reply comments from the Joint Petitioners and individually from MERC and CenterPoint Energy.

On September 24, 2020, the matter came before the Commission.

FINDINGS AND CONCLUSIONS

I. Accounting Methodology

In response to the Commission's request for a proposed methodology for tracking COVID-related costs and revenues, the Joint Petitioners outlined a framework that describes criteria for considering the types of costs that should be tracked, as well as a description of cost categories.

The Petitioners identified several considerations for evaluating whether costs should be tracked or deferred, including: whether the cost or financial impact is directly related to COVID-19 or governmental actions stemming from the pandemic; whether the cost or financial impact is incremental to an established baseline; and whether it is practicable to identify and document or track the incremental cost or impact.

They also identified cost and revenue categories for consideration, including uncollectible accounts expenses; other operating expense impacts; revenue impacts; and a miscellaneous category for capturing other costs not yet identified. They further detailed these potential categories in Attachment A to their June 10 comments and clarified that they anticipate "other impacts" to include items such as cost savings.

Due to each utility's unique customer base, system needs, and financial condition, the Joint Petitioners also recommended maintaining flexibility in the methodology to avoid an overly restrictive approach that would limit the types of costs that could be tracked or deferred and be subsequently eligible for cost recovery. The proposal therefore included tracking and deferring a broader list of costs, including carrying costs, working capital impacts, and lost production tax credits, among others.

In response to recommendations by the Department and the OAG that the Commission set an end date for tracking and deferring costs, the Joint Petitioners recommended against setting such a date, stating that it is unnecessary to do so because the end of COVID-19 is unknown and because they will be required to establish that any costs for which they seek recovery are incremental and COVID-19-related.

II. Parties' Comments

No party opposed the Joint Petitioners' proposed methodology, although both the Department and the OAG recommended that the Commission establish additional requirements, including an end date for tracking COVID-related expenses. They also emphasized the need to protect ratepayers by requiring utilities to demonstrate that the costs to be tracked or deferred are truly incremental, and that utilities be required to track both cost increases and decreases related to COVID-19.

The Department recommended that the Commission approve the proposal and require the utilities to provide prorated revenue requirement comparisons of approved test year amounts to 2020 actual amounts of tracked items for the pandemic-related period approved by the Commission. The Department also recommended requiring the utilities to track budgeted activities that will not take place as a result of COVID-19 and that correspond to savings and reduced expenses.

Further, the Department recommended against allowing the utilities to track or defer carrying costs, working capital impacts, and lost production tax credits, explaining that the Commission does not ordinarily grant deferred accounting for these types of costs.

The OAG recommended that the Commission require the Joint Petitioners to track, in a corollary attachment, their cost savings as a result of COVID-19. The OAG also recommended removing carrying costs, working capital impacts, and lost production tax credits from Attachment A. Additionally, the OAG recommended that the Commission require the utilities to file monthly reports, rather than quarterly reports, to facilitate a closer examination of the costs being tracked.

The Minnesota Large Industrial Group also supported removing carrying costs, working capital impacts, and lost production tax credits from the cost categories to be tracked and deferred.

III. Commission Action

The Commission concurs that the Joint Petitioners' proposed methodology is reasonable and will adopt the proposal as detailed in Attachment A of their June 10 comments, with the exception of the request to track and defer carrying costs, working capital costs, and lost production tax credits.

The Joint Petitioners' proposal provides a reasonable framework for identifying, tracking, and deferring cost increases and decreases associated with COVID-19. But to mitigate the potential rate impact of costs not typically eligible for cost recovery, the Commission will not allow tracking and deferral of carrying costs, working capital impacts, and lost production tax credits. This approach modestly narrows the scope of cost categories, while enabling the utilities to track or defer a broad range of costs that are most reasonably likely to directly affect their individual financial condition.

For these reasons, the Commission will adopt the Joint Petitioners' methodology as outlined in Attachment A of the June 10, 2020 comments, with the exception described above. Further, the Commission will continue to require quarterly reporting rather than monthly reporting as recommended by the OAG. The benefit of more frequent reporting does not appear to justify the added burden at this time.

The Commission will also require the utilities to: provide prorated revenue requirement comparisons of approved test year amounts to 2020 actual amounts of tracked items for the pandemic-related period approved by the Commission; and track budgeted activities that will not take place as a result of the pandemic and that correspond to savings and reduced expenses.

The Commission will allow deferred COVID-19-related expenses to be tracked through the end of the Governor's peacetime emergency (Emergency Executive Order 20-01), plus 30 days. The Department and the OAG concurred that this is a reasonable period of time. And while the Joint Petitioners recommended against setting a deadline, the Commission is not inclined to leave the process entirely open-ended. This deadline recognizes that the end of COVID-19 is yet unknown while also setting a reasonable expectation for the conclusion of cost deferral.

Finally, the Commission will require the utilities to report, in a format prescribed by the Executive Secretary, actual and estimated expenses along with the amounts provided in base rates, and as further refined or amended by the Executive Secretary.

ORDER

1. The Commission hereby adopts the Joint Petitioners' methodology as outlined in Attachment A of their June 10, 2020 comments.

2. The utilities must provide prorated revenue requirement comparisons of approved test year amounts to 2020 actual amounts of tracked items for the pandemic-related period approved by the Commission.

3. The utilities must track budgeted activities that will not take place as a result of the pandemic and that correspond to savings and reduced expenses.

4. The Commission hereby denies the request for deferral and tracking of carrying costs; working capital impacts; or lost production tax credits.

5. The Commission hereby allows deferred COVID-19-related expenses to be tracked through the end of the Governor's peacetime emergency (Emergency Executive Order 20-01), plus 30 days.

6. The utilities must continue future compliance reporting on a quarterly basis.

7. The utilities must report, in a format prescribed by the Executive Secretary, actual and estimated expenses, including amounts provided in base rates, and as further refined and amended by the Executive Secretary.

8. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Will Seuffert
Executive Secretary

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