

July 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. G022/M-20-458

Dear Mr. Wolf:

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

In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval of 2019 Conservation Improvement Program Tracker Account and Conservation Cost Recovery Adjustment (Petition).

The Petition was filed on May 1, 2020 by:

Kristine A. Anderson
Corporate Attorney
Greater Minnesota Gas, Inc.
202 S. Main Street
Le Sueur, MN 56068
Phone: 888-931-3411

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Greater Minnesota Gas's Petition, with requests for certain modifications for future filings.** The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ DANIELLE WINNER
Rates Analyst

DW/ja
Attachment

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Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G022/M-20-458

I. INTRODUCTION

On May 1, 2020, Greater Minnesota Gas, Inc. (GMG or the Company) submitted a filing in the present docket entitled *In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval of 2019 Conservation Improvement Program Tracker Account and Conservation Cost Recovery Adjustment* (Petition) to the Minnesota Public Utilities Commission (Commission). The Petition contained the Company's 2019 calendar year CIP tracker. Greater Minnesota Gas also requested Commission approval to maintain the Company's Conservation Cost Recovery Adjustment (CCRA) at \$0.00 per dekatherm (Dth).

II. DEPARTMENT ANALYSIS

A. BACKGROUND AND COMMISSION'S PREVIOUS ORDERS

On June 1, 2016, GMG filed a petition to implement a Conservation Cost Recovery Adjustment in Docket No. G022/M-16-494. In that filing, GMG proposed to amortize the projected December 2016 CIP tracker balance over three years. On January 5, 2017, the Commission issued its *Order Granting Petition to Establish CIP Rider With Conditions* (January 5th Order). The January 5th Order contained the following order points:

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.

GMG submitted a filing in compliance with Order Point 5 on January 12, 2017.

On April 27, 2017, Greater Minnesota Gas filed in that same docket an updated CIP tracker and a declaration that it was not seeking a change to the CCRA, as the charge had been implemented just four months prior. The Company stated that that filing was made to comply with Order Point 6 of the Commission's January 5th Order. The Department typically would assume that a utility would file annual CIP tracker and CCRA filings under a new docket each year; however, the Department notes that the Commission's January 5th Order did not address whether the annual filing should be made in a new docket. The Department filed a compliance closure on September 29, 2017.

GMG did not file an annual filing by May 1, 2018 or May 1, 2019.

On October 9, 2019, Greater Minnesota Gas filed a petition in Docket No. G022/M-19-633 requesting permission to lower the CCRA, as the Company had over-recovered its tracker balance. GMG projected its tracker balance to be (\$217,941) by the end of 2019.¹ The Department responded to the Company's petition by stating:²

The Department concludes that Greater Minnesota Gas did not comply with the Commission's January 5, 2017 Order in Docket No. G022/M-16-494 to make annual CIP tracker and CCRA filings by May 1 of each year. As a result, the Company's projected tracker balance reflects a significant over-recovery.

The Department further concludes that the Company only partially complied with the Commission's January 5, 2017 Order to provide monthly data in CIP tracker/CCRA filings: while the Company's 2017-2019 trackers use monthly data, the projected 2020 and 2021 trackers use annual data.

The Department therefore recommends that the Commission approve a CCRA of \$0, effective the first day of the first month following the Commission's Order in this matter

In its November 18, 2019 reply comments, GMG responded that it misinterpreted the Commission's Order Point to make annual filings, and provided the requested monthly data. GMG re-committed to

¹ Greater Minnesota Gas Comments submitted October 9, 2019, Exhibit A, page 3, Docket No. G022/M-19-633.

² Department Comments submitted November 8, 2019, page 4, Docket No. G022/M-19-633.

making annual filings, beginning May 1, 2020. In its December 20, 2019 Order, the Commission agreed with and adopted the recommendations of the Department, and set the Company’s CCRA to \$0/Dth. The Company did not appear to submit a compliance filing with the updated tariff sheet.

On May 1, 2020, Greater Minnesota Gas submitted the instant Petition, in which the Company sought approval for its 2019 CIP tracker to maintain its CCRA at \$0/Dth.

B. GMG’S PROPOSED 2019 CIP TRACKER

Greater Minnesota Gas provided its 2019 CIP tracker in Attachment A to its May 1, 2020 filing. The Department summarizes that tracker in the following table.

Table 1: Department’s Summary of Greater Minnesota Gas’s 2019 CIP Tracker

Line	Description	Time Period	Amount
1	Beginning Balance Under/(Over) Recovery	Jan. 1, 2019	(\$89,196)
2	CIP Expenses	Jan. 1, 2019 – Dec. 31, 2019	\$261,147
3	DSM Financial Incentive	Approved in 2019 for 2018 activities	\$0
4	Carrying Charges	Jan. 1, 2019 – Dec. 31, 2019	\$0
5	CIP Expenses Subtotal [Line 1 + Line 2 + Line 3 + Line 4]	Jan. 1, 2019 – Dec. 31, 2019	\$171,951
6	CCRC Recovery	Jan. 1, 2019 – Dec. 31, 2019	(\$78,322)
7	CCRA Recovery	Jan. 1, 2019 – Dec. 31, 2019	(\$341,354)
8	CIP Revenues Subtotal [Line 6 + Line 7]	Jan. 1, 2019 – Dec. 31, 2019	(\$419,676)
9	Ending Balance Under/(Over) Recovery [Line 5 + Line 8]	Dec. 31, 2019	(\$247,725)

The Department notes that the rate was set at \$0.18/Dth throughout the course of 2019, resulting in an over-recovered ending tracker balance that was lower (further over-recovered) than the beginning balance.

The Department reviewed GMG’s proposed 2019 CIP tracker and concludes that it appears to be calculated correctly.

C. GMG’S PROPOSED CCRA RATE

In its May 1, 2020 filing, Greater Minnesota Gas proposed to maintain its CCRA at \$0/Dth. The Company stated that because the tracker balance was at (\$247,725) at the end of 2019, it made sense to leave the CCRA at \$0/Dth.

GMG’s proposal is what the Department would consider a “backwards-looking” calculation methodology rather than a “forward-looking” one. Under a backwards-looking methodology, a utility would set the CCRA rate based upon the current state of the CIP tracker, thus incorporating CIP activities that have already transpired. A forward-looking methodology, by contrast, begins with the current tracker balance and then projects CIP expenses and recoveries throughout the period that the utility expects the CCRA to be in place, and sets the CCRA based upon a future tracker balance. Ideally, this would mean that the CCRA would be set to a rate that brings the tracker balance close to \$0 within one year. This helps keep expenditures and recoveries more aligned, since CIP outlays are recovered as closely as possible to the time they are incurred (as in a forward-looking methodology), rather than a year later when the CCRA is updated to reflect those outlays (as in a backwards-looking methodology). Recovering expenditures as closely as possible to the time they were incurred is beneficial because it better mitigates the effects of customer churn, keeps the CCRA at a more stable rate, and helps minimize carrying charges.³ While there is nothing inherently wrong about a backwards-looking methodology, the Department typically prefers a forward-looking one because of these benefits.

Greater Minnesota Gas did not provide projected 2020 or 2021 CIP trackers using the proposed \$0/Dth rate, but did provide them in its November 18, 2019 reply comments in Docket No. G022/M-19-633. The Department used those trackers to project the state of GMG’s tracker through the end of 2021, using the proposed \$0/Dth CCRA. The full detailed trackers using the Company’s projected data are provided in Attachment A to these Comments, and the results of those trackers are summarized in the following table.

Table 2: Department’s Summary of GMG's 2020-2021 Projections with a CCRA rate of \$0/Dth⁴

Line	Description	2020	2021
1	Beginning Balance Under/(Over) Recovery (\$)	(247,725)	(61,195)
2	CIP Expenditures (\$)	260,000	260,000
3	CIP-Applicable Sales (Dth)	1,778,933	1,779,000
4	Base Rate (CCRC) (\$/Dth)	0.0413	0.0413
5	Base Rate Recoveries (\$) [Line 3*Line 4*-1]	(73,470)	(73,473)
6	CCRA (\$/Dth)	0	0
7	CCRA Recoveries (\$) [Line 3*Line 6*-1]	0	0
8	Ending Balance Under/(Over) Recovery (\$) [Line 1 + Line 2 + Line 5 + Line 7]	(61,195)	125,332

³ GMG does not apply carrying charges in its CIP tracker.

⁴ Data comes from Greater Minnesota Gas’s 11/18/2019 filing in Docket No. G022/M-19-633.

The Department notes that the data used here is outdated, since GMG submitted the trackers in November of 2019. As of the filing of these Comments, however, GMG should have access to six months of actual 2020 data that can be used to update Table 2 above. Even with the outdated data, it is useful to note that by the end of 2021, the tracker balance may be under-recovered by \$125,332. This is not necessarily a problem, since the Company does not use carrying charges, but it is not ideal in terms of ratemaking theory.

The Department would instead suggest that GMG consider proposing a CCRA rate that would bring the tracker balance closer to \$0 by the end of the recovery period. The Department provides in Attachment B an example 2021 tracker using a CCRA of \$0.07/Dth. The following table summarizes the results and compares them to 2021 results using a \$0/Dth CCRA.

Table 3: Summary of Projected 2021 CIP Trackers, \$0/Dth vs. \$0.07/Dth CCRA⁵

Line	Description	2021 with \$0/Dth CCRA	2021 with \$0.07/Dth CCRA
1	Beginning Balance Under/(Over) Recovery (\$)	(61,195)	(61,195)
2	CIP Expenditures (\$)	260,000	260,000
3	CIP-Applicable Sales (Dth)	1,779,000	1,779,000
4	Base Rate (CCRC) (\$/Dth)	0.0413	0.0413
5	Base Rate Recoveries (\$) [Line 3*Line 4*-1]	(73,473)	(73,473)
6	CCRA (\$/Dth)	0	0.07
7	CCRA Recoveries (\$) [Line 3*Line 6*-1]	0	(124,530)
8	Ending Balance Under/(Over) Recovery (\$) [Line 1 + Line 2 + Line 5 + Line 7]	125,332	802

Under this scenario, GMG would implement a new CCRA of \$0.07/Dth on January 1, 2021, with an estimated timeline of one year to bring the tracker balance back to zero.⁶ The Company would then make its next CIP tracker/CCRA filing with the Commission by May 1, 2021 and propose a new rate to be in effect for 2022.

The Department is not opposed to GMG's proposal to leave the CCRA at \$0/Dth, and is not strongly opposed to the use of a backwards-looking methodology for calculating the CCRA. However, if the Company wishes to use a backwards-looking methodology in the future, it is preferable to base the CCRA on the tracker balance closer to the time of filing rather than at the end of the previous year. Further, regardless of which methodology GMG uses, the Department requests that the Company

⁵ Data comes from Greater Minnesota Gas's 11/18/2019 filing in Docket No. G022/M-19-633.

⁶ The Department notes that this does not mean the rate would automatically stop being in effect after one year; the one year timeline is simply a tool for ratemaking purposes. The Company would still need to petition the Commission to change the rate from \$0.07/Dth.

provide in future petitions two future years of projected CIP trackers, using monthly data. In the current docket, this would mean providing not only the 2019 actual tracker for Commission approval, but also the projected 2020 and 2021 trackers.

D. GMG'S PROPOSED CCRA TARIFF SHEET

Greater Minnesota Gas appears to have set its CCRA at \$0/Dth effective on January 1, 2020. However, as noted in Section II.A. above, the Company does not appear to have filed its updated tariff as a compliance filing. The Department observes that this stipulation did not appear as a Commission Order Point in that docket, as it typically would. However, MN Rule 7829.2900, subp. 2 states, "Unless otherwise ordered by the commission, utilities shall file a compliance filing within ten days of the effective date of a commission order requiring it."⁷ And MN Stat. § 216B.05, subd. 1 states, "Every public utility shall file with the commission schedules showing all rates, tolls, tariffs, and charges which it has established and which are in force ..." Thus, GMG should always file compliance filings showing, in both red-lined and clean versions, the revisions approved by Commission Order.

To be in compliance, Greater Minnesota Gas should file its updated tariff sheet in Docket No. G022/M-19-633, and also provide that tariff sheet in the instant docket.

III. CONCLUSION AND RECOMMENDATIONS

The Department concludes that Greater Minnesota Gas's proposed 2019 CIP tracker appears to be correctly calculated, and is not opposed to the Company's proposal to implement a CCRA of \$0/Dth, effective January 1, 2021. The Department also concludes that the Company failed to file an updated tariff sheet in Docket No. G022/M-19-633.

The Department recommends the Commission:

- approve GMG's 2019 CIP tracker, as summarized in Table 1 above, resulting in a December 31, 2019 tracker balance of (\$247,725);
- approve the continuation of the \$0/Dth CCRA; and
- require GMG to submit a compliance filing as soon as possible but no later than 10 days of the issue date of the Order in the present docket and in Docket No. G022/M-19-633, with tariff sheets reflecting the Commission's determinations in both matters.

The Department strongly suggests that GMG consider taking a forward-looking approach to calculating future CCRA's.

Finally, the Department requests that in future filings, the Company provide two years of projected trackers, using monthly data, in addition to the prior year's actual tracker.

⁷ Not all Commission Orders involve tariff revisions.

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Analyst assigned: Danielle Winner
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The Department is available to answer any questions the Commission may have.

/ja

Department's Recreation of Greater Minnesota Gas- CIP Tracker
 2020 Forecast with \$0/Dth CCRA, modified with actual Jan 2020 beginning balance
 Source: Docket 19-633, GMG Filing 11/18/2019

	Jan-20 Projected	Feb-20 Projected	Mar-20 Projected	Apr-20 Projected	May-20 Projected	Jun-20 Projected	Jul-20 Projected	Aug-20 Projected	Sep-20 Projected	Oct-20 Projected	Nov-20 Projected	Dec-20 Projected	Annual Summary
Expenses													
1	(247,725)	(194,650)	(185,227)	(174,958)	(165,175)	(153,392)	(143,523)	(140,245)	(137,397)	(125,684)	(106,549)	(95,292)	(247,725)
2	65,000	20,000	18,000	15,000	15,000	12,000	5,000	5,000	15,000	25,000	20,000	45,000	260,000
3													
4													
5	(182,725)	(174,650)	(167,227)	(159,958)	(150,175)	(141,392)	(138,523)	(135,245)	(122,397)	(100,684)	(86,549)	(50,292)	12,275
Recoveries													
6	302,356	267,600	195,700	130,900	80,000	52,000	42,000	52,400	80,500	148,000	220,000	273,500	1,844,956
7	13,623	11,500	8,500	4,600	2,100	400	300	300	900	6,000	8,300	9,500	66,023
8	288,733	256,100	187,200	126,300	77,900	51,600	41,700	52,100	79,600	142,000	211,700	264,000	1,778,933
9	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	
10	(11,925)	(10,577)	(7,731)	(5,216)	(3,217)	(2,131)	(1,722)	(2,152)	(3,287)	(5,865)	(8,743)	(10,903)	(73,470)
11	-	-	-	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-	-	-	-
13	(11,925)	(10,577)	(7,731)	(5,216)	(3,217)	(2,131)	(1,722)	(2,152)	(3,287)	(5,865)	(8,743)	(10,903)	(73,470)
Carrying Charges													
14	(194,650)	(185,227)	(174,958)	(165,175)	(153,392)	(143,523)	(140,245)	(137,397)	(125,684)	(106,549)	(95,292)	(61,195)	(61,195)
15													
16													
17	(194,650)	(185,227)	(174,958)	(165,175)	(153,392)	(143,523)	(140,245)	(137,397)	(125,684)	(106,549)	(95,292)	(61,195)	(61,195)

Department's Recreation of Greater Minnesota Gas- CIP Tracker
 2021 Forecast with a \$0/Dth CCRA, modified with January 2021 beginning balance reflecting Departments 2020 modified tracker
 Source: Docket 19-633, GMG Filing 11/18/2019

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Annual Summary
		Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
Expenses														
1	Beginning Balance- Under/(Over) Recovered	(61,195)	(8,123)	1,300	11,569	21,353	33,135	43,004	46,282	49,130	60,843	79,978	91,235	(61,195)
2	CIP Expenses	65,000	20,000	18,000	15,000	15,000	12,000	5,000	5,000	15,000	25,000	20,000	45,000	260,000
3	Financial Incentive													
4	Additional Adjustments													
5	Total Balance, Expenses, Adjustments, Incentive (Lines 1+2+3+4)	3,805	11,877	19,300	26,569	36,353	45,135	48,004	51,282	64,130	85,843	99,978	136,235	198,805
Recoveries														
6	Total Sales (MCF)	302,400	267,600	195,700	130,900	80,000	52,000	42,000	52,400	80,500	148,000	220,000	273,500	1,845,000
7	CIP-Exempt Sales (MCF)	13,600	11,500	8,500	4,600	2,100	400	300	300	900	6,000	8,300	9,500	66,000
8	Total CIP-Applicable Sales (MCF) (Line 6 - Line 7)	288,800	256,100	187,200	126,300	77,900	51,600	41,700	52,100	79,600	142,000	211,700	264,000	1,779,000
9	Base Rate (CCRC) (\$/Dth)	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	
10	Base Rate (CCRC) Recovery (\$) (Line 8*Line 9)	(11,927)	(10,577)	(7,731)	(5,216)	(3,217)	(2,131)	(1,722)	(2,152)	(3,287)	(5,865)	(8,743)	(10,903)	(73,473)
11	Adjustment Factor (CCRA) (\$/Dth)	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Adjustment Factor (CCRA) Recovery (\$) (Line 8 * Line 11)	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Total Recoveries (\$) (Lines 10 + 12)	(11,927)	(10,577)	(7,731)	(5,216)	(3,217)	(2,131)	(1,722)	(2,152)	(3,287)	(5,865)	(8,743)	(10,903)	(73,473)
Carrying Charges														
14	Sub-Balance (\$) (Lines 5 + 13)	(8,123)	1,300	11,569	21,353	33,135	43,004	46,282	49,130	60,843	79,978	91,235	125,332	125,332
15	Carrying Charge Rate													
16	Carrying Charges (\$) (Line 14 * Line 15)													
17	Ending Tracker Balance (\$) - Under/(Over) Recovered (Lines 14 + 16)	(8,123)	1,300	11,569	21,353	33,135	43,004	46,282	49,130	60,843	79,978	91,235	125,332	125,332

Department's Recreation of Greater Minnesota Gas- CIP Tracker
 2021 Forecast with \$0.07/Dth CCRA, modified with January 2021 beginning balance reflecting Department's 2020 modified tracker
 Source: Docket 19-633, GMG Filing 11/18/2019

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Annual Summary
		Projected												
Expenses														
1	Beginning Balance- Under/(Over) Recovered	(61,195)	(28,339)	(36,843)	(39,678)	(38,735)	(32,406)	(26,149)	(25,790)	(26,589)	(20,448)	(11,253)	(14,815)	(61,195)
2	CIP Expenses	65,000	20,000	18,000	15,000	15,000	12,000	5,000	5,000	15,000	25,000	20,000	45,000	260,000
3	Financial Incentive													
4	Additional Adjustments													
5	Total Balance, Expenses, Adjustments, Incentive (Lines 1+2+3+4)	3,805	(8,339)	(18,843)	(24,678)	(23,735)	(20,406)	(21,149)	(20,790)	(11,589)	4,552	8,747	30,185	198,805
Recoveries														
6	Total Sales (MCF)	302,400	267,600	195,700	130,900	80,000	52,000	42,000	52,400	80,500	148,000	220,000	273,500	1,845,000
7	CIP-Exempt Sales (MCF)	13,600	11,500	8,500	4,600	2,100	400	300	300	900	6,000	8,300	9,500	66,000
8	Total CIP-Applicable Sales (MCF) (Line 6 - Line 7)	288,800	256,100	187,200	126,300	77,900	51,600	41,700	52,100	79,600	142,000	211,700	264,000	1,779,000
9	Base Rate (CCRC) (\$/Dth)	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	0.0413	
10	Base Rate (CCRC) Recovery (\$) (Line 8*Line 9)	(11,927)	(10,577)	(7,731)	(5,216)	(3,217)	(2,131)	(1,722)	(2,152)	(3,287)	(5,865)	(8,743)	(10,903)	(73,473)
11	Adjustment Factor (CCRA) (\$/Dth)	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	
12	Adjustment Factor (CCRA) Recovery (\$) (Line 8 * Line 11)	(20,216)	(17,927)	(13,104)	(8,841)	(5,453)	(3,612)	(2,919)	(3,647)	(5,572)	(9,940)	(14,819)	(18,480)	(124,530)
13	Total Recoveries (\$) (Lines 10 + 12)	(32,143)	(28,504)	(20,835)	(14,057)	(8,670)	(5,743)	(4,641)	(5,799)	(8,859)	(15,805)	(23,562)	(29,383)	(198,003)
Carrying Charges														
14	Sub-Balance (\$) (Lines 5 + 13)	(28,339)	(36,843)	(39,678)	(38,735)	(32,406)	(26,149)	(25,790)	(26,589)	(20,448)	(11,253)	(14,815)	802	802
15	Carrying Charge Rate													
16	Carrying Charges (\$) (Line 14 * Line 15)													
17	Ending Tracker Balance (\$) - Under/(Over) Recovered (Lines 14 + 16)	(28,339)	(36,843)	(39,678)	(38,735)	(32,406)	(26,149)	(25,790)	(26,589)	(20,448)	(11,253)	(14,815)	802	802