COMMERCE DEPARTMENT

August 14, 2025

Mike Bull
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. G004/M-25-44

Dear Mr. Bull:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

Great Plains Natural Gas Company's ECO Tracker and Shared Savings DSM Incentive (Petition)

The Petition was filed by Great Plains Natural Gas Company on May 1, 2025.

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve Great Plains Natural Gas Company's Petition. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis.

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. G004/M-25-44

I. INTRODUCTION

On May 1, 2025, Great Plains Natural Gas Company (GP or the Company) submitted its Petition with the Commission in Docket No. G004/M-25-44. In its Petition*,* the Company requests that the Commission approve:

- 2024 ECO tracker account, resulting in a December 31, 2024, tracker balance of $104,528.
- Conservation Cost Recovery Adjustment (CCRA) of $0.0924 /Dth to be effective September 1, 2025.

The Petition also contains the Company's 2024 Energy Conservation and Optimization (ECO) Status Report (Status Report). The Status Report is intended to fulfill the requirements of the Department's annual ECO reporting rules contained in Minnesota Rules part 7690.0550. Since the Company's Status Report does not require Commission approval, this portion of the Petition has been assigned to a separate docket.[1]

II. PROCEDURAL BACKGROUND

May 1, 2025	The Company submitted its Petition with the Commission.
May 19, 2025	The Commission posted a Corrected Notice of Comment Period for the Petition.
July 28, 2025	The Department filed a request for variance extension, requesting an additional 14 days to complete its analysis and file comments.
July 28, 2025	The Commission granted the request for extension.

Topics open for comment:

- Should the Commission approve GPNG's proposed 2024 ECO Tracker account, resulting in a year-end balance of $104,528?
- Should the Commission approve GPNG's proposed CCRA Factor of $0.0934 per dekatherm, to be implemented on September 1, 2025?[2]
- Are there other issues or concerns related to this matter?

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[1] *See* Docket No. G004/CIP-23-97

[2] The Department notes that there appears to be a typo in the CCRA factor included in the Commission's May 19, 2025, "Notice of Comment Period" filing. The Company's Petition appears to request a CCRA equal to $0.0924/Dth.

III. DEPARTMENT ANALYSIS

The Department's analysis of the Company's Petition is provided below in the following sections:

A. Commission's Order from the Previous Year
B. Minnesota's Energy Conservation and Optimization Statute
C. Proposed 2024 ECO Tracker
D. Proposed Conservation Cost Recovery Adjustment
E. Historical ECO Achievements and Shared Savings Incentives

A. COMMISSION'S ORDER FROM THE PREVIOUS YEAR

On November 8, 2024, the Commission issued its Order approving GP's 2023 Conservation Improvement Program Consolidated Filing,[3] with the following determinations:

1. Approved Great Plains Natural Gas Company's 2023 DSM financial incentive of $278,241 and CIP tracker account, resulting in a 2023 CIP tracker year-end balance of ($401,172).
2. Approved a CCRA rate of $0.0202 per Dth to be effective the first billing cycle after the Commission's determination in this matter.
3. Required Great Plains Natural Gas Company to include the following bill message in the billing month immediately following the date of the Order in the current docket: Great Plains recovers the cost changes in its energy conservation programs from the base established in 2021 through a Conservation Cost Recovery Adjustment (CCRA) subject to MN Public Utilities Commission approval. A CCRA of [insert rate] per dk is effective [insert effective date]. Learn more about reducing your energy use by visiting our website at www.gpng.com or calling us at 1-877-267-4764.
4. Required Great Plains Natural Gas Company to submit a compliance filing, within 10 days of the issue date of the Order in the present docket, with revised tariff sheets reflecting the Commission's determinations in this matter.

B. MINNESOTA'S ENERGY CONSERVATION AND OPTIMIZATION STATUTE

In 2021, the Minnesota Legislature passed the Energy Conservation and Optimization Act (ECO Act).[4] The ECO Act primarily serves to modernize what was the Conservation Improvement Program (CIP) to provide a more holistic approach to energy efficiency programming. Notable highlights of the ECO Act include:

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[3] *See* Commission's November 8, 2024, Order in Docket No. G-004/M-24-44
[4] https://www.revisor.mn.gov/bills/text.php?number=HF164&type=bill&version=2&session=ls92&session_year=2021&session_number=0

- Providing participating electric and natural gas utilities the opportunity to optimize energy use and delivery through the inclusion of load management[5] and efficient fuel-switching (EFS) programs.[6]
- Raising the energy savings goals for the state's electric investor-owned utilities (IOUs).[7]
- More than doubling the low-income spending requirement for all IOUs.[8]
- Providing greater planning flexibility for participating municipal and cooperative utilities.[9]
- Including activities to improve energy efficiency for public schools.[10]

Minn. Stat. § 216B.241 (ECO Statute) provides the framework for IOU ECO programs that deliver energy savings, load management programs, and EFS measures. This includes annual savings goals, which are determined as a percentage of the most recent three-year average of gross retail sales after subtracting sales to ECO-exempt customers.[11] 2024-2026 is the first program year period where requirements from the ECO Act take effect for the IOUs' ECO programs.

The ECO Statute grants jurisdiction to the Department over most of the state's ECO program regulatory activities. The Commission continues to have jurisdiction over two specific conservation items relevant to this proceeding: the Shared Savings DSM Financial Incentive and the recovery of ECO costs.

The Department has regulatory oversight in reviewing and approving utility plans and performance,[12] determining cost-effectiveness methodologies[13], and the overall administration of the ECO framework.[14] Utilities are also allowed to recover costs incurred from delivering ECO programs approved by the Department,[15] which are recovered through a tracker account reviewed and approved annually by the Commission.[16] Finally, the Commission can approve incentive plans encouraging utility success through ECO programs provided the plans meet certain statutory requirements.[17] The Commission has approved Shared Savings DSM Financial Incentive mechanisms for each three-year Triennial Plan since 2010 through Docket No. E,G-999/CI-08-133,[18] and approves annual financial incentives through the ECO tracker account proceedings.[19]

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5 Minn. Stat. § 216B.241, subd. 13.
6 Minn. Stat. § 216B.2403, subd. 8.
7 Minn. Stat. § 216B.241, subd. 1c(b).
8 Minn. Stat. § 216B.241, subd. 7(a).
9 Minn. Stat. § 216B.2403, subd. 3.
10 Minn. Stat. §§ 216B.2403, subd 3(j) and 216B.241, subd. 2(i).
11 Minn. Stat. § 216B.241, subd. 1c.
12 Minn. Stat. § 216B.241 Subd. 2 et seq
13 Minn. Stat. § 216B.241 Subd. 1c(e)
14 Minn. Stat. § 216B.241, 216B.2402, 216B,2403 and Minn. Rules 7690
15 Minn. Stat. § 216B.241, subd. 2b.
16 Minn. Stat. § 216B.16, subd. 6b.
17 Minn. Stat. § 216B.16, subd. 6c.
18 Commission Order Establishing Utility Performance Incentives for Energy Conservation, January 27, 2010, Docket Number E,G-999/CI-08-133.
19 See Commission Orders in Docket Numbers G-008/M-24-43, G-004/M-24-44, G-022/M-24-45, G-011/M-24-46, G-002/M-24-47, E-015/M-24-48, E-017/M-24-49, and E-002/M-24-50.

C. PROPOSED 2024 ECO TRACKER

In its Petition, the Company requested approval of its report on recoveries and expenditures included in the Company's ECO tracker account. This activity can be found can be found in Attachment D of the utility's Petition and is summarized below in Table 1.

Table 1: Summary of 2024 ECO Tracker Account

Line	Description	Time Period	Amount
1	Beginning Balance	Jan. 1, 2024	($401,172)
2	ECO Expenses[20]	Jan. 1 2024 – Dec. 31, 2024	$679,534
3	DSM Financial Incentive	Approved in 2024 for 2023 Activities	$278,241
4	Carrying Charges	Jan. 1 2024 – Dec. 31 2024	($13,943)
5	ECO Expenses Subtotal [Line 1 + Line 2 + Line 3 + Line 4]	Jan. 1 2024 – Dec. 31 2024	$542,660
6	CCRC Recovery	Jan. 1 2024 – Dec. 31, 2024	$491,272
7	CCRA Recovery	Jan. 1 2024 – Dec. 31, 2024	($53,140)
8	ECO Revenues Subtotal [Line 6 + Line 7]	Jan. 1 2024 – Dec. 31, 2024	$438,132
9	Ending Balance [Line 5 – Line 8]	Dec. 31, 2024	$104,528

The Company calculated carrying charges using the short-term cost of debt rate, which was approved in Great Plains' most recent rate case in Docket No. G004/GR-19-511. The annual short-term debt rate is 3.693 percent, which when divided by 12 months, results in the 0.30775 percent monthly carrying rate applied by the Company to the ECO tracker for each month in 2024.

The Department reviewed the ECO tracker and found no calculation errors. The Department recommends the Commission approve GP's 2024 ECO tracker account as summarized in Table 1, resulting in an ending balance of $104,528.

D. PROPOSED CONSERVATION COST RECOVERY ADJUSTMENT

Minnesota Statutes 2016B.16., Subd. 6b(c) states that the Commission "may permit a public utility to file rate schedules providing for annual recovery of the costs of energy conservation improvements." This ECO recovery mechanism is generally referred to as the Conservation Cost Recovery Adjustment (CCRA).

[20] GP reported $957,775 in total expenses on page 2 of Attachment D. On page 4 of Attachment D, GP noted that the total expenses figure included $278,241 in the 2023 DSM incentive amount. The Department reports the DSM Financial Incentive amount separately in Table 3 and has netted it out of the ECO Expenses row.

D.1. CCRA Proposal

In its Petition, the Company reported an ECO tracker balance of $104,528 at the end of the 2024 calendar year. GP has requested approval for a revised CCRA rate of $0.0924 per Dth, which translates to a $0.0722 increase from the current CCRA of $0.0202 per Dth.

If the proposed rate were to be effective September 1, 2025 as proposed, the Company's year-end 2025 tracker balance would be $308,741, as shown in Table 2.

Table 2: Projected 2025 ECO tracker account, using the current CCRA and CCRC rates (April-December values estimated)[21]

Line	Description	Time Period	Amount
1	Beginning Balance	Jan. 1, 2025	$104,528
2	ECO Expenses	Jan. 1, 2025 – Dec. 31, 2025	$1,021,034
3	DSM Financial Incentive	Approved in 2025 for 2024 activities	$0
4	Carrying Charges	Jan. 1, 2025 – Dec. 31, 2025	$2,935
5	ECO Expenses Subtotal [Line 1 + Line 2 + Line 3 + Line 4]	Jan. 1, 2025 – Dec. 31, 2025	$1,128,497
6	CCRC Recovery	Jan. 1, 2025 – Dec. 31, 2025	$522,963
7	CCRA Recovery	Jan. 1, 2025 – Dec. 31, 2025	$296,793
8	ECO Revenues Subtotal [Line 6 + Line 7]	Jan. 1, 2025 – Dec. 31, 2025	$819,756
9	Ending Balance [Line 5 - Line 8]	Dec. 31, 2025	$308,741

Table 3 provides details behind Great Plains' calculation of its proposed CCRA rate of $0.0924. As shown in Table 3, the proposed rate was derived by assuming a CCRA recovery of $575,415 over a 12-month period from September 1, 2025 to August 31, 2026, with 6,230,517 Dth in sales.[22] As stated on page 16 of the Petition, as a result of the requested CCRA increase, "For a typical residential customer using 77.1 dk per year, this reflects an increase of $5.57 annually or $0.46 per month."

[21] Data in Table 2 retrieved from Petition, Attachment D.
[22] See Petition, Attachment D for these figures.

Table 3. Calculation of the Company's Proposed CCRA Rate

Line	Description	Time Period	Amount
1	Beginning Balance	Sept. 1, 2025	$58,089
2	ECO Expenses	Sept. 1, 2025 – Aug. 31, 2026	$1,022,899
3	DSM Financial Incentive	Approved in 2025 for 2024 Activities	$0
4	Carrying Charges	Sept. 1, 2025 – Aug. 31, 2026	$4,082
5	ECO Expenses Subtotal [Line 1 + Line 2 + Line 3 + Line 4]	Sept. 1, 2025 – Aug. 31, 2026	$1,085,070
6	CCRC Recovery	Sept. 1, 2025 – Aug. 31, 2026	$509,655
7	Remaining Amount to be Recovered through CCRA [Line 5 – Line 6]	Sept. 1, 2025 – Aug. 31, 2026	$575,415[23]
8	Projected Sales (Dth)	Sept. 1, 2025 – Aug. 31, 2026	6,230,517
9	Proposed CCRA Rate ($/Dth) [Line 7/Line 8]	Effective Sept. 1, 2025	$0.0924

GP's CCRA would ideally be set at a rate that brings the Company's ECO tracker balance as close to zero as possible. Doing so avoids significant over or under recovery of ECO costs by the Company, thus minimizing carrying charges and stabilizing CCRA rates.

After observing the Company's relatively high ECO tracker balances over several earlier years, in 2016 the Department recommended Great Plains use a forward-looking rather than backward-looking methodology to calculate the Company's CCRA.[24] Using a forward-looking methodology helps maintain an ECO tracker balance closer to zero, minimize carrying charges, and account for ECO expense fluctuations. The Commission agreed with the Department's recommendations and directed the Company "to calculate the CCRA based on the existing tracker balance, as well as the projected sales, expenditures, financial incentive(s), and any pertinent adjustments that may occur over the period the CCRA will be in place."[25] Although the ECO tracker balance still fluctuates year to year, a certain degree of this is to be expected.

Based on the analysis presented above, the Department supports the Company's proposal to implement a CCRA rate of $0.0924.

D.2. Customer Notification Method for the CCRA Proposal

In addition to updating the relevant tariff sheet, the Department recommends that the Commission require the Company to include the following bill message in the billing month immediately following the date of the Commission's Order:

[23] This ties to the Company's CCRA recovery of $575,700 and forecasted ending balance on August 31, 2026 of ($285), as shown on Attachment D, page 3.
[24] See Department's Comments in Docket No. G004/M-16-384.
[25] Commission Order in Docket No. G004/M-16-384, Item 6.

Great Plains recovers the cost change in its energy conservation programs, from the base established in our most recent general rate case, through a Conservation Cost Recovery Adjustment (CCRA) subject to MN Public Utilities Commission approval. A CCRA of [insert rate] per dk, as shown in the Resource Adjustment above, is effective [insert date]. Learn more about reducing your energy use by visiting our website at www.gpng.com or calling us at 1-877-267-4764.

E. HISTORICAL ECO ACHIEVEMENTS AND SHARED SAVINGS INCENTIVES

In Table 4, the Department examined energy savings, expenditures, and incentive values for select years. The Department observes that the Company's ECO energy savings, expenditures, and financial incentive decreased from 2023 to 2024 and when comparing 2024 to the Company's 2022-2024 average savings, expenditures, and incentive figures.

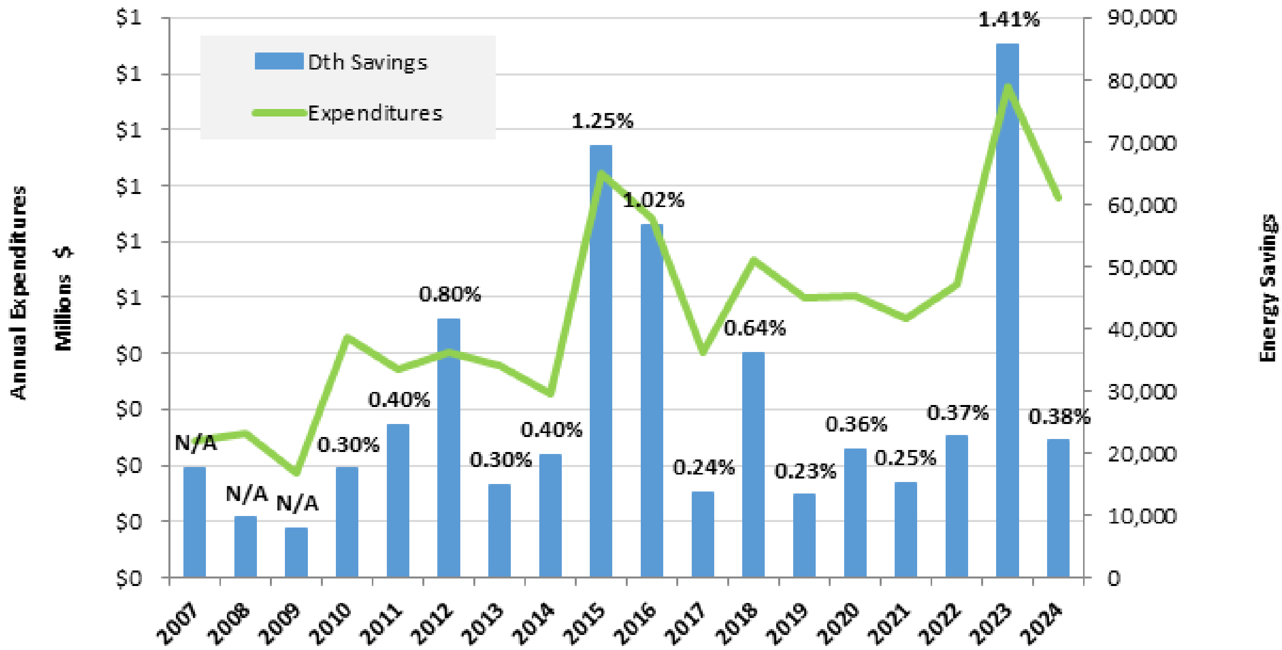
In Figure 1, the Department also provides a more comprehensive summary of the Company's ECO performance over time.

Table 4: Savings, Expenditures, and Incentives for Select Years[26]

	Energy Savings (Dth)	Expenditures	Shared Savings Incentive
2024	21,972	$678,201	$0
2023	85,711	$877,986	$278,241
2022	22,575	$523,005	$0
Average 2022-2024	43,419	693,064	92,747
Compare 2024 to 2023	-74.37%	-22.75%	-100.00%
Compare 2024 to Avg 2022-2024	-49.40%	-2.14%	-100.00%

[26] Data reflects savings and expenditures used to calculate the financial incentive, and thus does not include savings and spending due to specific programs that were excluded from the financial incentive calculation.

Figure 1. Historical ECO Performance



IV. DEPARTMENT RECOMMENDATIONS

The Department reviewed the Company's Petition and concluded that it is generally reasonable. Based on analysis of the Petition and the information in the record, the Department has prepared recommendations, which are provided below. The Department is available to answer any questions the Commission may have.

A. RECOMMENDATIONS TO THE COMMISSION

- A.1. Approve the Company's 2024 ECO tracker account, as summarized in Table 1 of these Comments, resulting in a 2024 ECO tracker year-end balance of $104,528;
- A.2. Approve a CCRA rate of $$0.0924 per Dth, to be effective September 1, 2025, or the first billing cycle after the Commission's determination in this matter;
- A.3. If the proposed CCRA rate is approved, require GP to include the following bill message in the billing month immediately following the date of the Order in the current docket:
  - Great Plains recovers the cost changes in its energy conservation programs, from the base established in our most recent general rate case, through a Conservation Cost Recovery Adjustment (CCRA) subject to MN Public Utilities Commission approval. A CCRA of [insert rate] per dk as shown in the Resource Adjustment above is effective [insert date]. Learn more about reducing your energy use by visiting our website at www.gpng.com or calling us at 1-877-267-4764.
- A.4. Require GP to submit a compliance filing, within 10 days of the issue date of the Order in the present docket, with revised tariff sheets reflecting the Commission's determinations in this matter.