MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	March 4, 2021		Agenda Item 4**
Company	CenterPoint Energy Great Plains Natural Gas Co. Minnesota Energy Resources Corporation Xcel Energy-Electric		
Docket Nos.	**G-008/M-19-558** **G-004/M-20-335** **G-011/M-20-332** **E-002/M-20-180** **In the Matter of Proposed Streamlining for Annual Revenue Decoupling Evaluation Reports**		
Issues	Should the Commission approve the Department of Commerce, Division of Energy Resources and Stakeholders proposal for Streamlined Annual Revenue Decoupling Reports?		
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✓ Relevant Documents	Date
Department of Commerce – Proposal	July 1, 2020
CenterPoint Energy – Compliance Filing	July 31, 2020
Minnesota Energy Resources Corporation – Compliance Filing	July 31, 2020

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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I. Statement of the Issues

Should the Commission approve the Department of Commerce, Division of Energy Resources and Stakeholders proposal for Streamlined Annual Revenue Decoupling Reports?

II. Introduction

In recent years, the Minnesota Public Utilities Commission (Commission) approved revenue decoupling mechanisms (RDMs) for four Minnesota investor-owned-utilities (IOUs): Minnesota Energy Resources Corporation (MERC); CenterPoint Energy (CenterPoint); Great Plains Natural Gas (Great Plains); and, Xcel Energy Electric (Xcel Electric)[1].

For each of these RDMs, the decoupled utilities are required to submit annual calculations of deferrals; the resulting surcharges or refunds for each decoupled customer class; and an evaluation report describing the utility's commitment to increased energy savings.

A. Commission Request for a Streamlined Annual Decoupling Evaluation Report

On page 7 of its Comments on MERC's 2018 Decoupling Evaluation Report, Docket No. G-011/M-19-201, the Minnesota Department of Commerce, Division of Energy Resources (Department) stated:

> In recent years, the Department has primarily focused on the part of the evaluation report that focuses on the utilities' CIP energy savings achievements because Minnesota Statutes § 216B.2416, subd. 1 states that the purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency. No other party has been commenting on other parts of the evaluation plans. For administrative efficiency the Department will consult with the utilities that have decoupling and Commission Staff to see if there is an agreement on whether there are parts of the evaluation reports that can be eliminated, and if so, present proposed reporting requirement modifications for future evaluation reports to the Commission.

Since then, the Commission has required MERC[2] and CenterPoint[3] to work with the Department and other stakeholders to develop a streamlined annual decoupling evaluation report.

B. Statutory and Commission Guidance for Designing Streamlined Annual Decoupling Evaluation Reports

Minn. Stat. §216B.2412, subd.1 states (in part):

[1] Xcel Electric is no longer participating in a revenue decoupling pilot program.

[2] Docket No. G-011/M-19-201, *Order*, December 5, 2019, Ordering Points 4 and 5.

[3] Docket No. G-008/M-19-558, *Order*, January 30, 2020, Ordering Points 3 and 4.

> The purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency.

Additionally, Minn. Stat. §216B.2412, subd.2 states (in part):

> The commission … shall design the criteria and standards to mitigate the impact on public utilities of the energy-savings goals under section 216B.241 without adversely affecting utility ratepayers.

The Department stated that it concludes:

> that RDM evaluations should review whether the program meets the stated statutory objectives of: (1) reducing the Company's disincentive to promote energy savings, (2) achieving energy savings, and (3) doing so without adversely affecting utility ratepayers.

1. Reducing a Utility's Disincentive to Promote Energy Savings

All of Minnesota's active RDMs utilize full decoupling. This means that the utility's sales are not adjusted to reflect "normal" weather, or for any other factor. Instead, the sales are compared to the forecast sales approved in the utility's most recent rate case. This removes the utility's disincentive to attain the energy savings goals under §216B.241 Energy Conservation Improvement.

The Department stated that it does not believe that a specific set of quantitative data or qualitative is needed to demonstrate this statutory requirement.

2. Evaluating a Utility's Commitment to Increased Energy Savings

The Department stated that, since the RDM's goal is to reduce a utility's disincentive to achieve energy savings, then the RDM evaluation should review the extent of achieved energy savings through the Conservation Improvement Program (CIP).

3. Not Harming Ratepayers

Each year, the RDM utilities present data showing the revenues collected over the 12-month period and their calculations, under the approved RDM rates, of over or under collections. The data provided must be sufficient for the Commission to make approval decisions on RDM adjustments. The data should also show the impact of the adjustment on the average utility customers bills, to demonstrate over time that the decoupling mechanism is not "harming" ratepayers.

C. Decoupling Evaluation Report Streamlining Group

The Department reported that it participated, with other parties, in a stakeholder process beginning in March 2020. The process was initiated by CenterPoint when CPE e-mailed the Department its proposed modifications to their currently approved evaluation report. The

Department and CenterPoint came to a general agreement which was then shared with the three other RDM utilities and other stakeholders.

On June 2, 2020 the Department initiated a conference call to discuss whether a consensus proposal could be reached. Participants included:

- Center for Energy and the Environment (CEE);
- CenterPoint Energy;
- Minnesota Energy Resources Corporation
- Commission Staff;
- Department of Commerce, Division of energy Resources;
- Fresh Energy;
- Great Plains Natural Gas Co.;
- Minnesota Power;
- Office of Attorney General, Residential Utilities Division (OAG-RUD); and
- Otter Tail Power.

Based on these stakeholder discussions, the Department presented the proposal for the Commission's consideration below.

III. Department of Commerce's and Stakeholder's Proposal

A. Commitment to Increased Energy Savings

Since reducing an IOU's disincentive to achieve energy savings is the goal of RDMs, the RDM evaluation should review whether the utility achieved energy savings. Although the analysis should include energy savings for the utility's entire portfolio, the most important energy savings to evaluate are those achieved by the customer classes to which the RDM applies.

The following data in narrative, numerical, table and/or graph form should be used to inform an IOU's narrative describing its energy savings before and after implementing revenue decoupling:

1. Brief overview of CIP portfolio. Narrative discussing changes made in the most recent triennial CIP, including any changes in marketing.

2. Annual first-year energy savings. Compare the utility's annual first-year energy savings for each of the past 5 years to the utility's average first-year energy savings for the three years preceding each utility's implementation of its RDM. Utilities should present the information on a total CIP basis and on a rate class basis, if possible, in a way that facilitates evaluation of the change in energy savings by customers in the rate classes with decoupled rates.

3. Lifetime energy savings. Present the utility's lifetime energy savings for each of the past 5 years. Utilities should present the information on a total CIP basis and on a rate class basis, if possible, in a way that facilitates evaluation of the change in energy savings by customers in the rate classes that have decoupled rates.

4. Annual first-year energy savings for each year (beginning with three years before RDM implementation and ending with the year prior to RDM evaluation) presented as a percent of weather-normalized retail sales from non-CIP-out customers as specified in Minn. Stat. 216B.241 Subd. 1c. (b).

5. Comparison of the relevant average fuel (gas or electric) use per customer for each decoupled customer class for the three years before RDM implementation and the years after.

B. Calculation of RDM Deferral and Billing Adjustment Factors

Each year, utilities with decoupled customer classes provide data showing the revenues collected over the 12-month period and calculate whether, under their approved RDM rates, the collections resulted in an over or under collection. The data should provide the Commission with a basis for approving RDM adjustments. The data should also show the impact of the adjustments on the average utility customers' bills, partly to demonstrate over time whether a decoupling mechanism "harms" ratepayers.

Below is a proposed list of the minimum amount of narrative and data that should be included.

1. Brief explanation of how RDM overcollection/under collection and RDM rates are calculated.

2. Annual amount of revenue over/under collected by customer class through the RDM during the evaluation period, before and after any adjustments to reflect the cap. Supporting detail should include monthly sales and number of customers. Electric utilities should include a description of how cooling degree days (CDD) and heating degree days (HDD) varied from those assumed in the last rate case. Gas utilities should include description of how HDD varied from those assumed in the last rate case.

3. Describe whether the approved cap has come into play for any decoupled class since RDM was implemented. The discussion should include identification of the time period(s), the customer class(es) affected, and what the RDM adjustment would have been without the cap.

4. Describe any changes to the IOU's methods or calculations of the decoupling adjustment over the course of the pilot. Describe any such changes, their purpose, and impact on the deferral.

5. By rate class – the per therm or per kWh rate charged, the overall rate surcharge/refund, the actual annual gas/electric use per customer, and the estimated bill impact on average customers. If there is a wide variation of consumption in the customer class, the utility may provide estimated bill impacts on customers with a range of consumption.

6. Indicate whether the IOU filed any rate cases during the RDM implementation period, and when. To the extent new base rates took effect during the pilot period, indicate when those new rates took effect and what impact the revised rates had on the methods and mechanics of the RDM over/under collection calculations.

7. Provide a table showing the historical net surcharges/refunds for each decoupled class and for the utility as a whole.

8. Provide tables showing the calculation of all past RDM factors (including over/under collections of revenues and forecasted sales).

9. If the IOU includes the RDM adjustment per unit of energy in its tariff/rider, include an updated RDM Tariff Sheet in redline and final format.

C. Filing Dates

Below are the proposed filing dates for each IOU to submit its Streamlined Decoupling Evaluation Report. Each of these dates are either on or after the utility submits its CIP Status Report to the Department, and thus the IOU will have already aggregated the CIP energy and demand savings that will assist the Commission and other parties in evaluating the utility's decoupling mechanism. For two of the utilities, Great Plains and MERC, the new filing dates for the evaluation reports will also mean that their new RDM rates will have a different starting date.

1. CenterPoint Energy

CenterPoint Energy will continue to submit its annual evaluation plan on September 1 of each year. CenterPoint submitted its latest annual evaluation plan on September 1, 2019 in Docket No. G-008/M-19-558. For CenterPoint, the Department recommends that the Commission approve the Proposed Streamlined Decoupling Evaluation Plan in Docket No. G-008/M-19-558.

2. Great Plains

Great Plains proposes to submit its annual evaluation plan on May 15 of each year. Great Plains submitted its latest annual decoupling evaluation plan on February 28, 2020 and May 1, 2020 in G-004/M-20-335. The Department recommends that the Commission approve the Proposed Streamlined Decoupling Evaluation Plan for Great Plains in Docket No. G-004/M-20-335.

3. MERC

MERC proposes to submit its annual evaluation plan on June 1 of each year. MERC submitted its latest annual evaluation plan on February 28, 2020 and May 1, 2020 in Docket No. G-011/M-20-332. The Department recommends that the Commission approve the Proposed Streamlined Decoupling Evaluation Plan in Docket No. G-011/M-20-332.

4. Xcel Electric[4]

Xcel Electric proposes to submit its annual evaluation report on April 1 of each year. Xcel Electric submitted its latest annual evaluation plan on January 31, 2020 in Docket No. E-002/M-20-180. The Department recommends that the Commission approve the proposed Streamlined Decoupling Evaluation Plan in Docket No. E-002/M-20-180.

IV. Parties' Comments

A. CenterPoint Energy Compliance Filing

On July 31, 2020, CenterPoint submitted a compliance filing regarding its work with stakeholders and the Department in proposing a streamlined RDM Evaluation Report. The Company demonstrated its compliance with ordering points 3 and 4 in the Commission's January 30, 2020 Order.[5] Additionally, CenterPoint expressed its agreement with the Department's recommendation to approve the proposed streamlined Annual Decoupling Evaluation Report.

B. Minnesota Energy Resources Corporation Compliance Filing

On July 31, 2020, MERC submitted a compliance filing regarding its work with stakeholders and the Department in proposing a streamlined RDM Evaluation Report. MERC demonstrated its compliance with ordering points 4 and 5 in the Commission's December 5,2019 Order.[6]

Additionally, MERC is in agreement with the Department in their recommendation that the Commission approve the proposed streamlined Annual Decoupling Evaluation Report in Docket No. G-011/M-20-332.

V. Staff Comment

Staff notes that, over the years, reviewing RDMs has been difficult because often the utilities' filing deadlines were prior to their annual May 1 CIP filings; therefore, information related to savings achievements was often "stale". The proposed (new) compliance filing dates for the

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[4] Xcel Electric's revenue decoupling pilot expired December 31, 2019.

[5] Docket No. G-008/M-19-558.

[6] Docket No. G-011/M-19-201.

three remaining decoupled utilities will help synchronize the RDM filing with the most current savings achievements information.

Staff appreciates the work of the Department and other stakeholders in developing this proposed streamlined RDM Annual Evaluation Report. Staff concurs with the Department's recommendation that the Commission approve this proposal.

VI. Decision Options

1. Approve the proposed streamlined Annual Revenue Decoupling Evaluation Report (DOC, CPE, MERC, Other Stakeholders)

OR

2. Take other action as deemed necessary.