

November 8, 2019

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> 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-19-633

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 Conservation Improvement Program  
Conservation Cost Recovery Adjustment Tariff Change

The Petition was filed on October 9, 2019 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 a Conservation Cost Recovery Adjustment of \$0. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ DANIELLE WINNER  
Rates Analyst

DW/ja



## Before the Minnesota Public Utilities Commission

### Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G022/M-19-633

#### I. INTRODUCTION

On October 9, 2019, Greater Minnesota Gas, Inc. (GMG or the Company) submitted a filing in the present docket entitled *Proposed Tariff Change to Conservation Cost Recovery Adjustment* (Petition) to the Minnesota Public Utilities Commission (Commission or PUC). The Petition contained a proposal to reduce the Company's Conservation Cost Recovery Adjustment (CCRA) from \$0.18/Dth to \$0.03/Dth, effective January 1, 2020.

#### II. DEPARTMENT ANALYSIS

##### A. COMMISSION'S 2016 ORDER

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 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.

*B. GMG'S PROPOSED CCRA*

The Department notes that the Company does not appear to have complied with Order Point 6 of the Commission's January 5, 2017 Order; the instant Petition is the only CIP tracker and CCRA filing made since the Company's initial petition in 2016. GMG does not address its noncompliance, but does state in its Petition, "GMG agreed that it would leave that rate [of \$0.18/Dth] in place, and would not seek carrying charges, for a period of three years."

The Company's CIP tracker reflects a significant projected over-recovery by December 2019. The following table summarizes the CIP tracker activity from 2017 through the projected end of 2019, using a CCRA of 0.18/Dth.

**Table 1. Department's Summary of Greater Minnesota Gas Conservation Improvement Program 2017-2019 Trackers**

		2017	2018	2019 (Aug-Dec projected)
1	Beginning Balance (\$)	270,706	106,292	(89,196)
2	CIP Expenditures (\$)	160,264	189,039	266,676
3	CIP-Applicable Sales (Dth)	1,467,140	1,737,583	1,786,812
4	Base Rate (CCRC) (\$/Dth)	0.0413	0.0413	0.0413
5	Base Rate Recoveries (\$) [Line 3*Line 4*-1]	(60,593)	(71,762)	(73,795)
6	CCRA (\$/Dth)	0.18	0.18	0.18
7	CCRA Recoveries (\$) [Line 3*Line 6*-1]	(264,085)	(312,765)	(321,626)
8	Ending Balance (\$) [Line 1 + Line 2 + Line 5 + Line 7]	106,292	(89,196)	(217,941)

At the time the Company first implemented the current CCRA, its tracker balance was under-recovered by \$270,706; by the time the Company plans to implement the new CCRA, the tracker balance is expected to be over-recovered by \$217,941. These large tracker balance swings demonstrate why an annual filing for tracker review is an effective way of keeping the balance closer to zero.

The Department reviewed Exhibit A of GMG's Petition and notes that the Company's tracker balance first became over-recovered in March 2018; in other words, ratepayers have been unnecessarily paying GMG's higher CCRA rate for 20 months as of the time of this filing. If the Company had complied with the Commission's directive to make annual filings, the CCRA would have gradually decreased each year, commensurate with the actual CIP expenditures and recoveries.

In its current Petition, the Company gives mixed messages about whether it understands the importance of making annual filings. On the one hand, the Company states:

Since GMG has recovered its shortfall and the CCRA has remained consistent for three years, GMG proposes that its CCRA will be reduced beginning in 2020. Thereafter, consistent with the Commission’s directive, GMG will file annual tracker information and seek any necessary CCRA rate changes to assure that the CCRA is reasonable and appropriate for both GMG and its ratepayers.

However, despite this assurance that GMG will start file annual CIP tracker and CCRA information, the Company appears to be projecting that a CCRA of \$0.0300 will be in place for 2020 and 2021, or a period of two years. Exhibit B of GMG’s Petition, which shows the projected CIP trackers for 2020 and 2021, is summarized in the following table:

**Table 2. Department’s Summary of Greater Minnesota Gas Projected Conservation Improvement Program 2020-2021 Trackers**

		2020	2021
1	Beginning Balance (\$)	(217,941)	(84,779)
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)	0.0300	0.0300
7	CCRA Recoveries (\$) [Line 3*Line 6*-1]	(53,368)	(53,370)
8	Ending Balance (\$) [Line 1 + Line 2 + Line 5 + Line 7]	(84,779)	48,378

The Department notes that the Company only provided annual figures for the projected 2020 and 2021 data, rather than monthly figures as directed in Order Point 3 of the Commission’s January 5, 2017 Order.

Under the Company’s projections, the tracker balance would be over-recovered by \$84,779 at the end of 2020 and under-recovered by \$48,378 at the end of 2021. Typically, the Department recommends that utilities set the CCRA at a rate that brings the tracker balance close to zero within one year. In cases where the tracker is significantly over-recovered, such as this one, the Department typically recommends that utilities set these types of rates at \$0/Dth. Doing so helps ensure that customers who overpaid are able to “recover” those costs more quickly, thus better accounting for customer churn. In cases where utilities use carrying charges, this strategy also helps keep those costs low.<sup>1</sup>

Therefore, the Department recommends that the Commission set the Company’s CCRA to \$0, effective the first day of the first month following the Commission’s Order in this matter. GMG’s next CIP tracker filing will be submitted by May 1, 2020, at which time the CCRA can be re-evaluated. The

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<sup>1</sup> GMG does not apply carrying charges in its CIP tracker.

Department reminds GMG to provide monthly projected CIP tracker data in its annual filings to ensure the ability to confirm GMG's proposed CCRA rate calculation.

### **III. CONCLUSION AND RECOMMENDATIONS**

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.

/ja

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce**  
**Comments**

**Docket No. G022/M-19-633**

Dated this **8<sup>th</sup>** day of **November 2019**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Lane PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-633_M-19-633
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-633_M-19-633
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_19-633_M-19-633
Brian	Gardow	bgardow@greatermngas.com	Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC	1900 Cardinal Ln PO Box 798 Faribault, MN 55021	Electronic Service	No	OFF_SL_19-633_M-19-633
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Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-633_M-19-633
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-633_M-19-633