

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben
Valerie Means
Matthew Schuerger
John A. Tuma

Chair
Commissioner
Commissioner
Commissioner

Tamie A. Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Co.
P.O. Box 176
Fergus Falls, MN 56538-0176

SERVICE DATE: January 13, 2020

DOCKET NO. G-004/GR-15-879;
G-004/M-19-198

In the Matter of the Application of Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota

In the Matter of the Request of Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for a One-Year Extension of Revenue Decoupling Pilot Program.

The above-entitled matter was considered by the Commission on January 9, 2020, and the following disposition made:

- 1. Approved a one-year extension to Great Plains Natural Gas Co.'s pilot Revenue Decoupling Mechanism Rider.**
- 2. Directed Great Plains Natural Gas Co. to update its tariff sheets to reflect the extension.**

The Commission agrees with and adopts the recommendations of the Department of Commerce, which are attached and hereby incorporated into the order. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Ryan Barlow
Acting Executive Secretary

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September 25, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Letter of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. G004/GR-15-879

Dear Mr. Wolf:

On September 6, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Order—Findings of Fact, Conclusions, and Order (Rate Case Order)* in Great Plains Natural Gas Company's (Great Plains or the Company) 2015 General Rate Case. In its *Rate Case Order*, the Commission approved a three-year pilot Revenue Decoupling Mechanism Rider (RDM Rider). On December 1, 2017, the Company filed its Decoupling Evaluation Report for Year 1 of the pilot period, and on March 1, 2019, Great Plains filed, in Docket No. G004/M-19-198, its Decoupling Evaluation Report for Year 2 of the pilot period.¹

On September 6, 2019, the Company filed a Letter requesting that the Commission approve a one-year extension to its pilot RDM Rider. Great Plains explained that a short extension was appropriate because the Company intends to request continuation of the RDM Rider in its upcoming rate case. The Company further explained that without an extension of the RDM Rider pilot, if the Commission ultimately approves continuation in the upcoming rate case, the RDM program would discontinue at the end of 2019 and then start again with the implementation of final rates in the upcoming rate case. Great Plains stated that allowing the RDM Pilot to lapse for a year would cause unnecessary customer confusion, which can be avoided with the one-year extension. The Company concluded its Letter by noting that the extension is also appropriate because the upcoming rate case offers the proper forum to evaluate whether Great Plains' RDM Rider pilot meets the statutory requirements in Minnesota Statute 216B.2412.

¹ On February 7, 2019, the Commission issued an Order clarifying that the evaluation period for the RDM Rider is for the calendar year. The Commission also ordered that future evaluation reports be filed by March 1 each year, in a new docket.

The reasonableness of Great Plains' proposed extension to its RDM Rider pilot is governed in part by Minnesota Statute 216B.2412, subd. 3, which states:

The commission shall allow one or more rate-regulated utilities to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings. On or before a date established by the commission, the commission shall require electric and gas utilities that intend to implement a decoupling program to file a decoupling pilot plan, which shall be approved or approved as modified by the commission. A pilot program may not exceed three years in length. Any extension beyond three years can only be approved in a general rate case, unless that decoupling program was previously approved as part of a general rate case. The commission shall report on the programs annually to the chairs of the house of representatives and senate committees with primary jurisdiction over energy policy.

As noted in the above quote, the Commission cannot approve an initial pilot that exceeds three years in length; however, the Commission may grant an extension beyond three years under certain circumstances. The requirement is that this extension can only be granted in a general rate case, unless the decoupling program was previously approved as part of a general rate case. Since the Commission approved the Company's RDM Rider pilot in the 2015 general rate case, Great Plains is allowed to request an extension in its September 6, 2019 Letter.

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed the Company's September 6, 2019 Letter and concludes that a one-year extension to Great Plains' RDM Rider pilot is reasonable. As noted in the Commission's March 29, 2019 Order Approving Refund in this proceeding, the decoupling mechanism is important to rectify an oversight within Great Plains' then-existing internal controls at the time of the Company's rate case. This issue is expected to be addressed going forward, when the Company files its new rate case.

In addition, as noted in its June 3, 2019 Comments in Docket No. G004/M-19-198, the Department raised concerns regarding Great Plains' level of energy savings and commitment to energy savings, as required by Minnesota Statute 216B.2412. Thus, an extension of one-year will provide the Commission with additional data to determine whether continuation of the RDM Rider is appropriate and, as noted by the Company in its September 6, 2019 Letter, the extension will provide parties additional time to further analyze the RDM Rider in the upcoming rate case.

Daniel P. Wolf
September 25, 2019
Page 3

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

AJH/ar

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1-877-267-4764

September 6, 2019

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Re: *In the Matter of the Petition by Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota, Docket No. G004/GR-15-879*

Great Plains Natural Gas Co.'s Request for Approval of a One-Year Extension of its Revenue Decoupling Pilot Program

Dear Mr. Wolf:

Pursuant to Minn. Stat. § 216B.2412, Subd. 3, Great Plains Natural Gas Co. ("Great Plains"), a Division of Montana-Dakota Utilities Co., respectfully requests that the Minnesota Public Utilities Commission ("Commission") grant a one-year extension of Great Plains' three-year Revenue Decoupling Mechanism Pilot Program ("RDM Pilot Program") approved in the above-referenced proceeding.¹ As discussed below, good cause exists to grant a short extension of the existing RDM Pilot Program.

On September 6, 2016, the Commission issued its Findings of Fact, Conclusions of Law, and Order in Great Plains' 2015 general rate case in Docket No. G004/GR-15-879.² In its September 6 Order, the Commission authorized Great Plains to implement a three-year RDM Pilot pursuant to Minn. Stat. § 216B.2412. Great Plains' RDM Pilot Program commenced with calendar year 2017 and is set to expire at the end of 2019.³

¹ The Commission has authority to approve an extension of the existing RDM Pilot Program outside the context of a general rate case pursuant to Minn. Stat. § 216B.2412, Subd. 3. This Subdivision provides that a "pilot program may not exceed three years in length. Any extension beyond three years can only be approved in a general rate case, unless that decoupling program was previously approved as part of a general rate case." Great Plains' RDM Pilot Program was approved in its 2015 rate case in this docket.

² *In the Matter of the Petition by Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota*, Findings of Fact, Conclusions and Order, Docket No. G004/GR-15-879 (September 6, 2016) ("September 6 Order").

³ On August 23, 2019, the Commission issued an Order authorizing Great Plains to continue its RDM Pilot for 2019. See *In the Matter of the Petition of Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., for Approval of its Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 2 of its Pilot Program*, Order, Docket No. G-004/M-19-198 (August 23, 2019).

As the Commission is aware, Great Plains plans to file a new rate case on or around September 27, 2019. As part of its planned 2019 rate case filing, Great Plains intends to seek approval to continue the RDM Program, with some discrete changes. Because Great Plains does not expect a final order in the 2019 rate case until the latter part of 2020, there would be a one-year gap (*i.e.*, calendar year 2020) in the RDM Program. Absent an extension of the existing RDM Pilot Program, in the event the Commission ultimately approves a continuation of the RDM Program in the upcoming 2019 rate case, the RDM Pilot Program would abruptly stop for one year and then continue after a final order is issued.⁴ Great Plains believes that allowing the RDM Pilot Program to lapse for a single year would cause unnecessary customer confusion, which can be avoided with a short extension.⁵

A short extension is also appropriate in light of the fact that the upcoming 2019 rate case will provide the proper forum to fully evaluate whether Great Plains' RDM Pilot is meeting the statutory goal "to reduce a utility's disincentive to promote energy efficiency" by separating Great Plains revenue "from changes in energy sales."⁶ Great Plains expects that its proposal to continue the RDM Program will be fully vetted in this proceeding.⁷

Finally, Great Plains respectfully requests that the Commission approve the one-year extension before the end of 2019 to ensure that the Company and its customers are fully informed of whether RDM Pilot Program will continue to be in place prior to the start of 2020. Upon approval of the one-year extension, Great Plains would submit updated tariff sheets and provide customers with notice of the extension.

Great Plains appreciates the Commission's consideration of this request and is prepared to answer any questions the Commission may have.

Sincerely,

/s/ Tamie A. Aberle

Tamie A. Aberle
Director of Regulatory Affairs

⁴ In particular, the RDM Pilot would have been in place from 2017-2019 and would presumably start again near the end of 2020 or beginning of 2021.

⁵ Great Plains also notes that in both 2017 and 2018, the RDM Pilot operated to provide significant credits to customers as actual revenues exceeded designed revenues for most customer classes. In this respect, customers have benefited from the RDM Pilot.

⁶ See Minn. Stat. § 216B.2412, Subd. 1.

⁷ For instance, in its September 6 Order approving the RDM Pilot Program, the Commission directed the Department of Commerce to "propose an appropriate minimum level of energy savings that the utility should achieve before Great Plains could qualify to implement a revenue decoupling surcharge." See September 6 Order at Ordering Paragraph 26(c).

CERTIFICATE OF SERVICE

I, Robin Benson, hereby certify that I have this day, served a true and correct copy of the following document to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

**Minnesota Public Utilities Commission
ORDER**

Docket Numbers: **G-004/GR-15-879, G-004/M-19-198**

Dated this **13th** day of **January, 2020**

/s/ Robin Benson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_15-879_Official Service List PUC 15-879
Ryan	Barlow	ryan.barlow@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 55101214	Electronic Service	Yes	OFF_SL_15-879_Official Service List PUC 15-879
Peter	Beithon	pbeithon@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_15-879_Official Service List PUC 15-879
James J.	Bertrand	james.bertrand@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_15-879_Official Service List PUC 15-879
Barbara	Case	barbara.case@state.mn.us	Office of Administrative Hearings	600 N. Robert St. St. Paul, Mn. 55101	Electronic Service	Yes	OFF_SL_15-879_Official Service List PUC 15-879
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_15-879_Official Service List PUC 15-879
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_15-879_Official Service List PUC 15-879
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_15-879_Official Service List PUC 15-879
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_15-879_Official Service List PUC 15-879
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_15-879_Official Service List PUC 15-879

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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_15-879_Official Service List PUC 15-879
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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_19-198_M-19-198
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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_19-198_M-19-198