MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	December 20, 2018	Agenda Item 12**
Company	Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. (GP, Great Plains, Company)	
Docket No.	**G-004/GR-15-879** In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota	
Issues	1. Should the Commission accept or reject Great Plains' Year 1 annual revenue decoupling report for the period ended September 30, 2017, and approve or modify Great Plains' revenue decoupling rate adjustments? 2. Should the Commission require different evaluation period dates and/or a different reporting compliance date? If so, what should the evaluation period dates and/or the reporting compliance dates be? 3. Should the Commission alter the "Designed Revenue" formula and its application, resulting in modified RDM adjustments? 4. Should the Commission require the inclusion of the new N82 customer's sales in its test year in determining final rates? 5. Should the Commission require Great Plains' use of different weather-normalized sales dates/methods?	

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✓ **Relevant Documents**	**Date**
Public Utilities Commission – Findings of Fact, Conclusions, and Order	September 6, 2016
Great Plains Natural Gas Co. – Final Rates Compliance Filing	September 22, 2016
Public Utilities Commission – Order Approving Final Revenue Apportionment and Rate Design, Updated Base Cost of Gas and Interim-Rate Refund Plan	December 22, 2016
Great Plains Natural Gas Co. – 2017 Decoupling Evaluation Report (Year 1)	December 1, 2017
Great Plains Natural Gas Co. – Phase 2 Rate Schedules	December 1, 2017
Minnesota Department of Commerce – Comments	April 6, 2018
Great Plains Natural Gas Co. – Reply Comments	May 1, 2018
Minnesota Department of Commerce – Response to Reply Comments	September 7, 2018
Great Plains Natural Gas Co. – Reply Comments	October 4, 2018
Great Plains Natural Gas Co. – 2018 Decoupling Evaluation Report (Year 2)	December 3, 2018

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I. Statement of the Issues

Should the Commission accept or reject Great Plains' Year 1 annual revenue decoupling report for the period ended September 30, 2017, and approve or modify Great Plains' revenue decoupling rate adjustments?

Should the Commission require different evaluation period dates and/or a different reporting compliance date? If so, what should the evaluation period dates and/or the reporting compliance dates be?

Should the Commission alter the "Designed Revenue" formula and its application, resulting in modified RDM adjustments?

Should the Commission require the inclusion of the new N82 customer's sales in its test year in determining final rates?

Should the Commission require Great Plains' use of different weather-normalized sales dates/methods?

II. Background

On September 30, 2015, in its 2015 initial rate case filing,[1] Great Plains proposed a symmetrical (i.e., no caps), three-year, full revenue decoupling pilot.[2]

On September 6, 2016, in ordering point 26 in the Commission's 2015 rate case Order,[3] the Commission approved a three-year full revenue decoupling pilot program that included an asymmetrical cap.

On December 22, 2016, as part of the Commission's Order[4], Great Plains was authorized to implement final rates effective January 1, 2017. Additionally, Great Plains was ordered to submit final tariff sheets that incorporate the Commission's decisions within ten days after final rates become effective.

On January 3, 2017, Great Plains submitted its Final Rates Compliance Filing.[5] Consistent with the December 22, 2016 Order, this filing included final tariff sheets and final rates that were implemented on January, 1, 2017. Included are Section 5 Original Sheet No. 125-126 which were revised to reflect the time periods of the pilot revenue decoupling program and its first annual evaluation report.

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[1] Docket G-004/GR-15-879.

[2] Aberle Direct, pages 23-29.

[3] Commission Order - Findings of Fact, Conclusions and Order, September 6, 2016, this docket

[4] Commission Order - Order Approving Final Revenue Apportionment and Rate Design, Updated Base Cost of Gas and Interim-Rate Refund Plan, December 22, 2016, this docket

[5] Great Plains, Final Rates Compliance Filing.

On December 1, 2017, Great Plains submitted its first annual evaluation report (Report) for its pilot revenue decoupling program. The Report's evaluation period (Evaluation Period) is from October 1, 2016 through September 30, 2017.

On April 6, 2018, the Department of Commerce submitted it comments on Great Plains' pilot revenue decoupling program. The Department argued that the Evaluation Period is not in compliance with the Commission's Order and that the use of "the greater of the authorized customers or actual customers per rate class" in determining designed revenues creates an inherent bias in Great Plains' favor. The Department recommended rejecting the timing changes proposed in the Company's January 3, 2017 *Final Rates Compliance* and that the Commission modify Great Plains' proposed revenue decoupling factors.

On May 1, 2018, in reply comments, Great Plains disagreed with the Department on the proper evaluation period and pointed out that, in its January 18, 2017 Compliance Letter, the Department agreed with the Company's compliance filing. Further, the Company disputed the Department's contention that the designed revenue method (margin times the greater of authorized customers or actual customers) was not intended to give a choice. Finally, the Company clarified that the weather normalized sales reflected "the average three-year normalized sales based on 36-month regressions for the Company's firm classes using 30 years of weather data".

On September 7, 2018, the Department submitted its response to Great Plains' reply comments, continuing to conclude that Great Plains erroneously implemented the revenue decoupling pilot project on October 1, 2016, rather than January 1, 2017. The Department also concluded that allowing Great Plains to choose the RDM adjustment method that is most advantageous to the Company violated Minnesota Statutes §216B.03. The Department also contended that, through discovery, it learned of a new N82 customer that should have been included in the test year, requiring recalculation of RDM adjustments. Finally, the Department recommended that the Commission require the Company to provide weather-normalized sales based on 20-year average weather.

On October 4, 2018, Great Plains submitted additional reply comments continuing to disagree with the Department regarding the appropriate evaluation periods. The Company stated that, regarding the use of the "Designed Revenues" formula, the Company is simply "applying this single formula to derive any decoupling adjustment – not picking between two different calculation methodologies as suggested in the Order". Further, Great Plains disagreed with the Department's contention that "it appears that Great Plains chose a customer count and modified its decoupling surcharge calculation for the Large Interruptible N85 & N82 rate group in a manner that hid the revenues associated with the new N82 customer". The Company also recommended that the Commission reject the Department's recommendation to adjust weather normalized information reported in the Company's CIP filings to maintain consistency. However, the Company would not object to a requirement that it use weather-normalized sales based on 20-year average weather after the Company completes its next rate case, if RDM is still in place.

III. Relevant Statutes

Minn. Stat. §216B.2412, Decoupling of Energy Sales from Revenues

According to Minn. Stat. §216B.2412, the objective of revenue decoupling is to:

A. Reduce Great Plains' disincentive to promote energy efficiency by making the Company's revenue less dependent on energy sales.

B. Achieve energy savings, and

C. Not harm ratepayers.

IV. Parties' Comments

A. Great Plains – Initial Filing

On December 1, 2017, Great Plains submitted its initial full decoupling Evaluation Report for the period of October 1, 2016 through September 30, 2017 (Report Year). Great Plains' decoupling pilot encompasses all four of its customer classes[6] and their respective North and South rate areas. As shown on Table 1, the Company, for the Report Year, incurred a $466,045 revenue shortfall; however, as a result of the 10% cap, recovery was limited to $428,305.

Table 1 - Annual Revenue Decoupling Adjustment, by Class

Class	Decoupling Adjustment Balance through September 30, 2017	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$185,034	$0	$185,034
Residential Rate - S60	$150,890	$0	$150,890
Firm General - N70	$129,174	($7,556)	$121,618
Firm General - S70	$176,026	($30,184)	$145,842
Small Interruptible - N71 & N81	$38,252	$0	$38,252
Small Interruptible - S71 & S81	$14,648	$0	$14,648
Large Interruptible - N85 & N82	$37,751	$0	$37,751
Large Interruptible - S85 & S82	($265,730)	$0	($265,730)
Total Under / (Over) Collection	$466,045	($37,740)	$428,305

For the Report Year, residential customers used 190,000, or 13%, less dekatherms than anticipated. During that time the average per-dekatherm charge was about $6.45 which translated to savings of $1.2 million. After applying the $335,000 decoupling surcharges, residential customers saved nearly $900,000 compared to charges that might have been incurred under "normal" assumptions.

[6] The four classes are Residential, Firm General, Small Interruptible, and Large Interruptible.

Decoupling rate adjustments began on January 1, 2018. Table 2 summarizes the decoupling adjustment recovery factors and the average monthly decoupling adjustments, by class and rate area.

Table 2 - Decoupling Adjustment Factors and Average Monthly Impact

Class	Decoupling Adjustment per Dk	Average Monthly Use (Dk)	Average Monthly Decoupling Adjustment
Residential Rate - N60	$0.2842	6	$1.82
Residential Rate - S60	$0.2003	6	$1.22
Firm General - N70	$0.2454	33	$7.98
Firm General - S70	$0.2008	35	$7.03
Small Interruptible - N71 & N81	$0.1059	418	$44.27
Small Interruptible - S71 & S81	$0.0472	359	$16.94
Large Interruptible - N85 & N82	$0.1178	4,450	$524.26
Large Interruptible - S85 & S82	($0.1568)	20,171	($3,162.80)

Since this is the first evaluation report and no decoupling revenues have been collected, the Company does not have post-decoupling results to compare to the pre-decoupling baseline period. The 2013-2015 CIP Triennial period plus the 2016 extension has been defined as the pre-decoupling baseline period. In the Company's second decoupling evaluation report the 2017 CIP energy savings and expenditures will be compared to the pre-decoupling period (2013-2016) averages. Tables 3 through 5 summarize pre-decoupling averages that will be used as basis for future comparisons.

Table 3 - Great Plains CIP Energy Savings (Dk) by Customer Segment

Year/Period	Residential & Small Commercial	Low Income	Commercial and Industrial	CIP Assessments	Overall Program
2013	10,010	1,073	3,705	181	14,969
2014	11,751	561	7,476	0	19,788
2015	11,610	649	6,066	51,068	69,393
2016	10,991	467	4,024	41,187	56,669
Pre-Decoupling Average	11,091	688	5,318	23,109	40,205

Table 4 - Great Plains CIP Expenditures by Customer Segment

Year/Period	Residential & Small Commercial	Low Income	Commercial and Industrial	CIP Assessments	Overall Program
2013	$163,900	$99,443	$92,875	$22,575	$378,793
2014	$159,646	$69,905	$93,951	$3,878	$327,380
2015	$159,636	$70,389	$475,518	$19,101	$724,644
2016	$176,012	$80,810	$363,630	$21,691	$642,143
Pre-Decoupling Average	$164,799	$80,137	$256,494	$16,811	$518,240

Table 5 – Great Plains CIP Savings as Percent of Weather Normalized Sales (Dk) by Customer Segment

CIP Plan Period	Year	Applicable Three-Year Average Weather Normalized Sales (Dk)	Annual Energy Savings (Dk)	Energy Savings as a Percent of Sales
2013-2015 Triennial Period	2013	5,570,068	14,969	0.27%
	2014	5,570,068	19,788	0.36%
	2015	5,570,068	69,393	1.25%
Extension of 2013-2015 Triennial	2016	5,570,068	56,669	1.02%

The Report provides additional information about the Company's conservation programs which will be discussed in the DOC Comments section of these briefing papers.

B. Department of Commerce – Comments

1. Appropriate Evaluation Period and Ratepayer Recovery

As a result of Great Plains' response to the Department's Information Request No. 2, the Small Interruptible South decoupling adjustment was revised to $18,788. Table 6 reflects that adjustment and the new (capped) $432,445 total adjustment.

Table 6 - Revised Annual Revenue Decoupling Adjustment, by Class

Class	Decoupling Adjustment Balance through September 30, 2017	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$185,034	$0	$185,034
Residential Rate - S60	$150,890	$0	$150,890
Firm General - N70	$129,174	($7,556)	$121,618
Firm General - S70	$176,026	($30,184)	$145,842
Small Interruptible - N71 & N81	$38,252	$0	$38,252
Small Interruptible - S71 & S81	$18,788	$0	$18,788
Large Interruptible - N85 & N82	$37,751	$0	$37,751
Large Interruptible - S85 & S82	($265,730)	$0	($265,730)
Total Under / (Over) Collection	$470,185	($37,740)	$432,445

As part of its review, the Department observed two issues that require additional analysis and discussion:

- The first issue involves the Evaluation Period and whether it complies with the Commission's September 6 Order and Great Plains' September 22 Compliance.

- The second issue involves the Company's customer counts used to determine Designed Revenues as laid out in Great Plains' tariff.

The Department pointed out that the Evaluation Period's implementation, while consistent with the September 22 Compliance's tariff language, differs from those used by CenterPoint Energy (CenterPoint, CPE) and Minnesota Energy Resources Corporation (MERC). In the latter two cases, the companies began tracking sales after implementation of final rates. Great Plains began its tracking the first month after the Commission's September 6 Order, or October 1, 2016.

Examination of testimony in the Great Plains' initial 2015 rate case filing shows that the Company proposed to begin tracking sales and revenues for its Revenue Decoupling Mechanism (RDM) Pilot on the first day of the month following the Commission's Order[7]; however, the Company's proposed tariff in the filing stated that "the initial report shall reflect a 12-month period that begins on the first day of the month succeeding the implementation of final rates."[8] The Department noted that the proposed tariff's language is consistent with other utilities' implementation of their respective RDM Pilots.

The Department explained that, except for the surcharge cap, in the 2015 rate case the DOC agreed with Great Plains' proposed RDM Pilot. The issue of implementation timing was not

[7] Aberle Direct Testimony, Docket G-004/GR-15-879, page 27.

[8] Aberle Direct Testimony, Docket G-004/GR-15-879, Appendix B Proposed Tariffs, Original Sheet No. 5-126.

discussed further in the rate case nor was it included in the September 6 Order. Decoupling-related tariff language in Great Plains' September 22, 2016 Compliance Filing remained unchanged (i.e., implementation after final rates). The Commission's December 22, 2016 Order authorized final rates implementation effective January 1, 2017. The DOC believes the tariff language modification in the Final Rates Compliance was inappropriate for the following reasons:

- Great Plains did not provide notice to customers that the evaluation period would begin on October 1, 2016. The Commission-approved customer notices reference an RDM Pilot but do not indicate an implementation date; therefore, a ratepayer would reasonably assume that the RDM Pilot would start concurrent with final rates implementation. Further, the date these customer notices were approved (December 21, 2016) occurred after Great Plains began tracking the RDM Pilot; as such, customers were not notified prior to a change in the Company's rate design.

- The Commission did not approve Great Plains' modified evaluation period and proposed tariff change. The Company's filed tariff language in its September 22 Compliance reflected an evaluation period that would begin on the first day of the month succeeding the implementation of final rates (January 1, 2017 in this case). In its October 20, 2016 Comments, the Department concluded that the Company's incorporated tariff changes complied with the Commission's Order and Great Plains, in its November 3, 2016 Reply Comments, agreed. The agreement was subsequently noted in the Commission's December 22, 2016 Order. It is clear that the Commission envisioned an evaluation plan and period that would begin after the final rates implementation. Any tariff modification would need to be requested either through a reconsideration or a miscellaneous tariff filing.

The Department concluded that the Company's RDM Pilot implementation should begin on January 1, 2017 and the evaluation period should run from January 2017 through December 2017. As shown in Table 7 and in response to the Department's Information Request[9], Great Plains recalculated its RDM adjustments to reflect the January 2017 through December 2017 period. The DOC recommended that the RDM Pilot recovery be based on Table 7, using the adjustment factors shown in Table 8.

[9] Department of Commerce Comments, Attachment 4

Table 7 - Calendar Year 2017 Decoupling Adjustments, by Class

Class	Decoupling Adjustment Balance through December 31, 2017	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$121,762	$0	$121,762
Residential Rate - S60	$112,633	$0	$112,633
Firm General - N70	$98,520	$0	$98,520
Firm General - S70	$143,548	$0	$143,548
Small Interruptible - N71 & N81	$29,511	$0	$29,511
Small Interruptible - S71 & S81	($17,715)	$0	($17,715)
Large Interruptible - N85 & N82	$42,082	$0	$42,082
Large Interruptible - S85 & S82	($301,310)	$0	($301,310)
Total Under / (Over) Collection	$229,031	$0	$229,031

Table 8 - Monthly Average Surcharge/(Refund) Expected under Department Recommendation for Average Customer of Each Customer Class

Class	Decoupling Adjustment	Average Monthly Use (Dth)	Average Monthly Cost/(Refund)
Residential Rate - N60	$0.1870	6.4	$1.20
Residential Rate - S60	$0.1495	6.1	$0.91
Firm General - N70	$0.1988	32.5	$6.46
Firm General - S70	$0.1976	35.0	$6.92
Small Interruptible - N71 & N81	$0.0817	418.0	$34.15
Small Interruptible - S71 & S81	($0.0571)	359.0	($20.50)
Large Interruptible - N85 & N82	$0.1313	4,450.4	$584.34
Large Interruptible - S85 & S82	($0.1778)	20,170.9	($3,586.39)

In case the Commission concludes that a different implementation or evaluation period is appropriate, the Department made the following observations:

- If the Commission concludes that the RDM Pilot's implementation and evaluation period should begin October 1, 2016, then the Department recommendation (below) regarding the Large Interruptible Class should be adopted.

- If the Commission concludes that the evaluation period (October to September) is acceptable but the Company erred in its implementation, namely tracking sales and revenues prior to the implementation of final rates, then basing the RDM adjustments on a partial year is appropriate. Decoupling adjustments based on a January to September 2017 partial year are shown in Table 9.

Table 9 - January to September 2017 Decoupling Adjustments, by Class

Class	Decoupling Adjustment Balance January 1, 2017 through September 30, 2017)	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$73,828	$0	$73,828
Residential Rate - S60	$73,586	$0	$73,586
Firm General - N70	$70,593	$0	$70,593
Firm General - S70	$96,466	$0	$96,466
Small Interruptible - N71 & N81	$24,693	$0	$24,693
Small Interruptible - S71 & S81	$6,707	$0	$6,707
Large Interruptible - N85 & N82	$29,336	$0	$29,336
Large Interruptible - S85 & S82	($236,015)	$0	($236,015)
Total Under / (Over) Collection	$139,134	$0	$139,134

The Department noted that currently Great Plains is required to file its annual report each December 15th. However, if the Commission determines that the evaluation period should run through December 31, a modification to the filing date for evaluation reports would be necessary and recommended a revised filing deadline of March 1st, as follows:

> No later than March 1st ~~December 15~~ of the calendar year following the Commission's approval of the RDM tariff, and each March 1st ~~December 15~~ thereafter, the Company shall file with the Commission a report that specifies the RDM adjustments to be effective for each rate class.

The Department highlighted the Commission Staff's previous concern regarding the Company's ability to compare *actual* non-gas revenues with either the approved total amount of non-gas revenue (Authorized Method) or the approved per-customer level of non-gas revenue (Customer Method) and select the outcome that better benefits the Company.[10] The DOC's highlighting was driven by the Large Interruptible North Rate Class' results which, under the Authorized Method resulted in a $37,751 surcharge but under the Customer Method would have resulted in a $34,484 refund. The Department concluded that Great Plains' intent to surcharge is inconsistent with Minnesota Statutes §216B.03 (Reasonable Rates) which requires that *any doubt as to reasonableness should be resolved in favor of the consumer*; therefore, if the Commission determines that the Company's filed evaluation period is reasonable, Great Plains must use the adjustment that provides the better ratepayers' result. The DOC recommended that the Large Interruptible North be refunded the $34,484 and not surcharged the proposed $37,751.

The Department noted that Great Plains' ability to choose its most beneficial outcome is similar to the methodology CenterPoint previously used in its decoupling pilot.[11] The DOC

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[10] Commission Staff, July 27, 2016 Briefing Papers.

[11] CenterPoint's ability to choose was removed in its most recent rate case, Docket G-008/GR-17-285

recommended that the Commission remove Great Plains' ability to choose and modify the Company's tariff to read:

> Designed Revenues: authorized margin per customer multiplied by the ~~greater of the (1) authorized customer or (2)~~ actual customers per rate class for the 12-month period beginning ~~October 1~~ January 1 of each year.

The revised tariff language removes the Company's incentive to use the customer count figure that maximizes its revenue in a manner that may harm ratepayers and aligns the Company's tariff with other utilities' decoupling language.

If the Commission decides that Great Plains' evaluation period and implementation of the RDM Pilot is appropriate but Great Plains should not be allowed to select the customer count most advantageous to the Company when calculating the RDM adjustment, then the RDM factors shown in Table 10 should be used.

Table 10 - Per Therm Surcharges/(Refunds) Implemented January 1, 2018 based on October - September Evaluation Period and Removal of Customer Count Choice

Class	Decoupling Adjustment	Average Monthly Use (Dth)	Average Monthly Cost/(Refund)
Residential Rate - N60	$0.2842	6.4	$1.82
Residential Rate - S60	$0.2003	6.1	$1.22
Firm General - N70	$0.2454	32.5	$7.98
Firm General - S70	$0.2008	35.0	$7.03
Small Interruptible - N71 & N81	$0.1059	418.0	$44.27
Small Interruptible - S71 & S81	$0.0472	359.0	$16.94
Large Interruptible - N85 & N82	($0.1073)	4,450.4	($477.53)
Large Interruptible - S85 & S82	($0.1568)	20,170.9	($3,162.80)

Conversely, if the Commission decides that Great Plains' evaluation period is appropriate, the implementation should begin January 1, 2018 and Great Plains should not be allowed to select the most advantageous customer count, then the RDM factors shown in Table 11 should be used.

Table 11 - Per Therm Surcharges/(Refunds) Implemented January 1, 2018 based on January - September Evaluation Period and Removal of Customer Count Choice

Class	Decoupling Adjustment	Average Monthly Use (Dth)	Average Monthly Cost/(Refund)
Residential Rate - N60	$0.1134	6.4	$0.73
Residential Rate - S60	$0.0977	6.1	$0.60
Firm General - N70	$0.1424	32.5	$4.63
Firm General - S70	$0.1328	35.0	$4.65
Small Interruptible - N71 & N81	$0.0684	418.0	$28.59
Small Interruptible - S71 & S81	$0.0216	359.0	$7.75
Large Interruptible - N85 & N82	$0.0916	4,450.4	$407.66
Large Interruptible - S85 & S82	($0.1393)	20,170.9	($2,809.81)

2. Great Plains' Energy Savings

Since this is the Great Plains' first Evaluation Plan, this Report's information establishes the base by which the relative success of Great Plains' RDM Pilot can be analyzed in the future. Information provided in future Evaluation Reports, will be an important resource in the Department's future analysis of the Company's energy savings and whether continuing the RDM Pilot beyond the pilot period is appropriate.

As shown in Table 3 (above), Great Plains' 2015 energy savings were its highest during the period. If savings for custom projects are not included then 2014 savings represent the highest amount during the base period. Additionally, in the absence of custom projects, Great Plains' annual energy savings remained relatively constant during the period from 2013 to 2016 and this relationship held throughout all customer groups except low-income, which experienced its greatest savings in 2013 (1,073 Dth) with annual savings approximately half of that in the subsequent 3 years. Additionally, as shown in Table 5 (above), Great Plains' energy savings during the same period never achieved the State's goal of 1.5%. The Department questioned the Great Plains' method to weather normalize sales and, to simplify comparison between different utilities, recommended that the Company, in Reply Comments, clarify which methodology was used and, if sales were weather normalized with other than 20-year data, Great Plains should provide weather normalized sales based on 20-year normal weather.

2015 and 2016 CIP expenditures, as shown in Table 4, were nearly double the 2013 and 2014 expenditures; however, the Department expects that achieving increased energy savings requires increased CIP expenditures.

From a cost per dekatherm perspective, Figure 1 shows that the cost per first-year energy savings peaked in 2013, decreased significantly by 2015 and then stayed approximately the same in 2016. Great Plains' 2016 $11.13 cost was $14.18 lower than the Company's $25.31 in 2013. Figure 2 shows that the Company's cost per lifetime energy savings also peaked in 2013 and then decreased significantly over the rest of the base period.

Figure 1: Great Plains' Cost per Dekatherm for First-Year Energy Savings

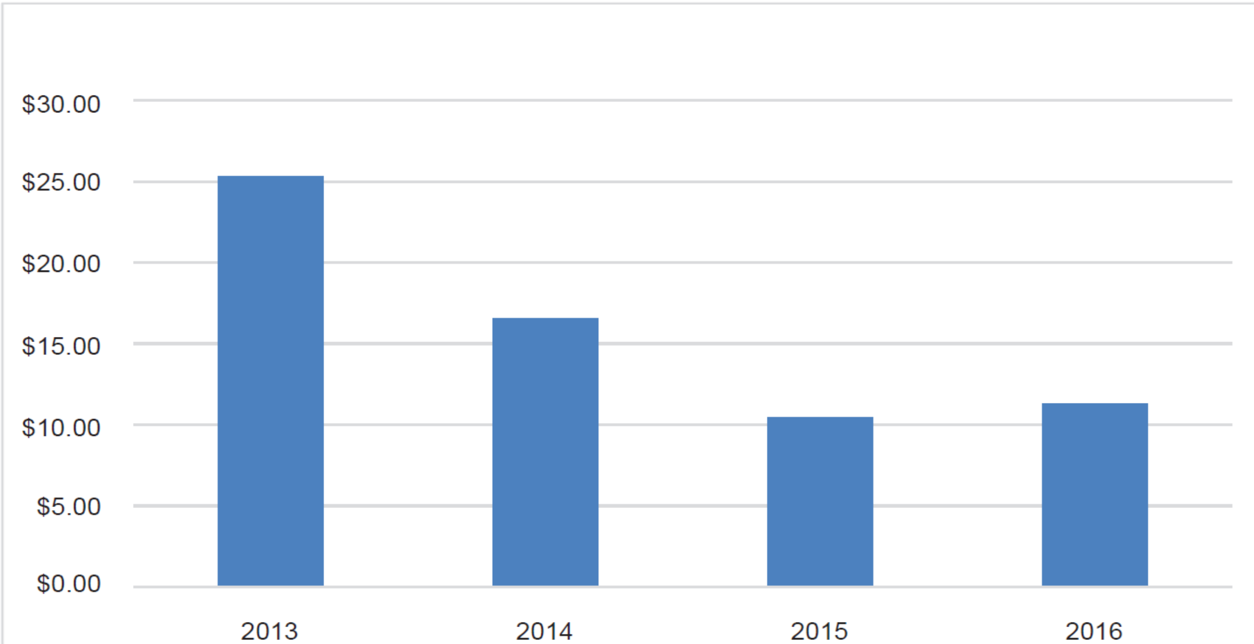
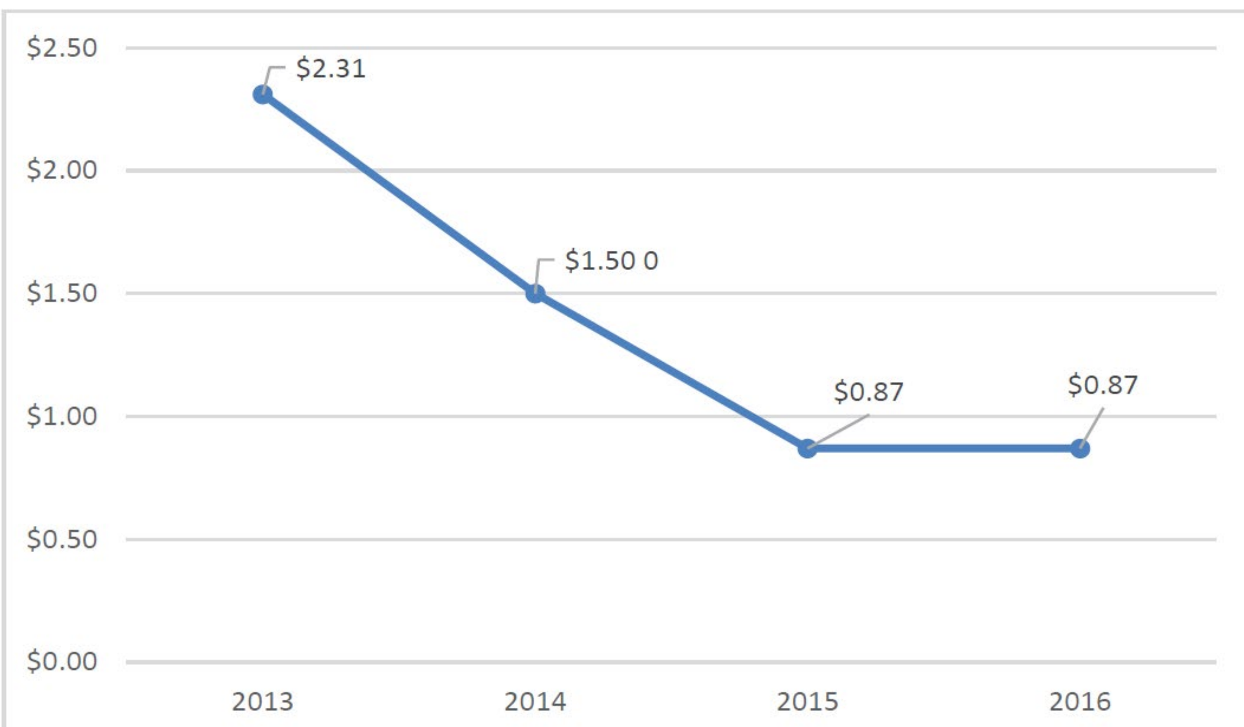


Figure 2: Cost of Lifetime Energy Savings Created Through Annual CIP Achievements ($/Dth) Savings



C. Great Plains – May 1, 2018 Reply Comments

1. Evaluation Period

Great Plains disagreed with the Department's characterization of the change in the RDM language that was included in the January 3, 2017 Compliance Filing and stated that the Company's intent from the outset was for the first evaluation period of the RDM pilot to begin with the month following the Commission's final order. This intent is supported by the RDM tariff version that was included in the September 22, 2016 Compliance Filing. In that filing, the RDM tariff language had been updated from that initially filed as an evaluation period and date in which to file a report was dependent on the timing of the rate case. The RDM tariff language was then updated to the following:

> No later than December 15th of the calendar year following the Commission's approval of the RDM tariff, and each December 15th thereafter, the Company shall file with the Commission a report that specifies the RDM adjustments to be effective for each rate class. The initial report shall reflect a 12-month period that begins on the first day of the month succeeding the implementation of final rates approved by the Commission in Docket G-004/GR-15-879.

The updated language now included a deadline of December 15th of the year following the Commission's approval of the RDM tariff – which meant the Company's first decoupling report would be due December 15, 2017. Although inclusion of the December 15 date in the first compliance filing reflected the Company's intent to have the evaluation period begin the first day of the month following the Commission's Order, the evaluation period language was not consistently adjusted.

In its January 3, 2017 Compliance Filing (following the Commission's December 22, 2016 Order), Great Plains stated it had clarified on the attached Tariff Sheet Nos. 125 and 126 that the RDM review would begin on October 1 each year with a report and the applicable adjustment to be effective for each rate class to be submitted December 1 each year.

Since on January 18, 2017 the Department agreed with Great Plains' January 3, 2017 compliance filing, the Company recommended that the Commission reject the Department's recommendation of a January 1 through December 31 evaluation period and report date of March 1. Great Plains does not support an evaluation period consisting of less than 12 months. If the evaluation period is modified it should reflect a 12-month calendar period.

2. Designed Revenue Calculation

Great Plains noted that its formula was not intended to provide a choice but to provide the Company the ability to collect dollars in the event volumes and customer numbers are less than authorized. The Department highlighted the decoupling calculations for the North Large Interruptible Rates N85 & N82 as evidence of what it perceives is wrong with the Company's authorized method of calculating designed revenues. While the Department is correct that, when a class' actual and authorized customer counts are the same, the Per-Customer-Class and the Per-Customer methods should yield the same outcome, the fact is that the actual customer count for Rate N85 was 4 and its authorized count was 5. The authorized Designed Revenues calculation uses the greater of the actual or authorized customer count for two reasons. First, it accounts for customer growth, which is appropriate since there are clearly costs associated with the addition of new customers. Second, using a minimum of the authorized customer count ensures the Company will not pay a refund to a customer class even though it didn't collect its authorized margin from that class.

The Company maintained that its current Designed Revenues formula is appropriate; however, in the event the Commission determines the formula should be modified, such a change should be applied on a prospective basis so as not to run afoul of the prohibition against retroactive ratemaking.

3. Clarification of Weather Normalized Sales

Great Plains clarified that its weather normalized sales do not reflect 20-year weather normalized sales, but rather the weather normalized sales included in the Company's 2013-2015 CIP Triennial filing, which reflect the average three-year weather normalized sales based on 36-month regressions for the Company's firm classes using 30 years of weather data. All CIP-related information included in Section C of the Company's report is pulled directly from Great Plains' annual CIP filings.

To maintain consistency in reporting CIP results across Great Plains' CIP and RDM report filings, Great Plains recommended the Commission reject the Department's recommendation to adjust weather normalized information.

D. Department of Commerce – Response to Reply Comments

1. Appropriate Evaluation Period

The Department noted that, first, the Company failed to ensure that its rate case testimony was internally consistent and; therefore, a failure to meet its burden of proof. Second, the Commission approved a calendar year evaluation period in its September 9, 2016 Order and, subsequently, Great Plains unilaterally changed its tariff language and evaluation period; therefore, the Company's decision to change its RDM tariff without prior notice to the Commission and subsequent approval is unreasonable.

The Department continued to disagree with the Great Plains' interpretation of the Commission's December 22, 2016 Order and argued that any changes beyond those specifically noted in that Order would require a separate filing with an appropriate period for interested parties to analyze the request and for the Commission to issue a new Order.

The Department stated that Great Plains mischaracterized the DOC's January 18, 2017 Letter regarding the Company's January 3, 2017 Compliance. In its Reply Comments, the Company stated that the Department indicated that the Company's compliance filing and revised tariff sheets appropriately implemented the Commission's directives. The Department asserted that that statement is only true in so much as it relates to the changes specifically approved in the Commission's December 22, 2016 Order.

2. Determination of Designed Revenues and Updated RDM Surcharges

In an effort to understand Great Plains' approach regarding its handling of the N85 & N82 rate group, the Department asked for additional information.[12] The DOC explained that it appears that Great Plains chose a customer count and modified its decoupling surcharge calculation for the Large Interruptible N85 & N82 rate group in a manner that hid the revenues associated with the new N82 customer. Although Great Plains stated that it added this customer after it filed the rate case, the Department noted that the addition of this customer occurred 13 days after the initial rate case was filed on September 30, 2015 and approximately six weeks before the Commission filed its November 30, 2016 Order finding that the rate case petition was complete and forwarding it for review by the Office of Administrative Hearings.

Additionally, the new N82 customer is a large customer that represents approximately 22.5% of total sales in the N85 & N82 rate group. This means that the Company was more than likely aware that this customer needed service during preparation of the rate case. Certainly, Great Plains had the opportunity and obligation to notify the Commission of this change in circumstance during the course of the rate case proceeding. The Department noted that on December 14, 2015 it issued discovery in the rate case asking Great Plains to identify any known and measurable changes to test-year sales and the Company responded that there were none.[13] Furthermore, the Company's January 4, 2016 Supplemental Direct Testimony (in the rate case) updated its sales and revenue related schedules through October 2015; however, these updated schedules do not include sales or revenues for the Large Interruptible N82 rate group even though Great Plains booked sales and received revenues from this customer beginning in October 2015.

The Department concluded that, by failing to notify the Commission of customer changes prior to and during the test year, and removing the new N82 customer from its decoupling calculation, Great Plains created a double penalty to the other decoupling eligible customers in the Large Interruptible N82 & N85 rate group. First, since the N82 customer is larger than the former N85 customer, the test-year sales for the rate class are lower than are reasonable and result in higher rates for other customers in the rate class (Department Attachment R-1). Second, since the former N85 customer no longer contributes to actual sales in the evaluation period, and Great Plains removed the N82 customer from consideration in the decoupling adjustment, the sales revenue used in decoupling calculation for the rate class are unreasonably low and will indicate that Great Plains under-recovered sales, all else being equal, resulting in a decoupling surcharge. Given these reasons, it was inappropriate to adjust authorized sales for the new N82 customer for the purposes of determining the decoupling adjustment.

Based on its discussion with the Company and Great Plains' response to discovery, the Department concluded that recalculation of the decoupling adjustments was necessary. The

[12] Department of Commerce, Response to Reply Comments, Attachment R-1.

[13] Id., Attachment R-2.

Department's recalculations are provided Tables 12 through 14[14] and are based on currently approved base revenues, which do not include revenues associated with the new N82 customer that should have been included in the test year.

Table 12 - Revised Great Plains Proposed Decoupling Adjustments (October 2016 to September 2017 Evaluation Period)

Class	Decoupling Adjustment Surcharge/(Refund)	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$185,034	$0	$185,034
Residential Rate - S60	$150,890	$0	$150,890
Firm General - N70	$129,174	($7,556)	$121,618
Firm General - S70	$176,026	($30,184)	$145,842
Small Interruptible - N71 & N81	$38,252	$0	$38,252
Small Interruptible - S71 & S81	$14,648	$0	$14,648
Large Interruptible - N85 & N82	($65,556)	$0	($65,556)
Large Interruptible - S85 & S82	($265,730)	$0	($265,730)
Total Under / (Over) Collection	$362,738	($37,740)	$324,998

Table 13 - Revised Great Plains Proposed Decoupling Adjustments (January 2017 to September 2017 Evaluation Period)

Class	Decoupling Adjustment Surcharge/(Refund)	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$73,828	$0	$73,828
Residential Rate - S60	$73,586	$0	$73,586
Firm General - N70	$70,593	$0	$70,593
Firm General - S70	$96,466	$0	$96,466
Small Interruptible - N71 & N81	$24,693	$0	$24,693
Small Interruptible - S71 & S81	$6,707	$0	$6,707
Large Interruptible - N85 & N82	($48,589)	$0	($48,589)
Large Interruptible - S85 & S82	($236,015)	$0	($236,015)
Total Under / (Over) Collection	$61,269	$0	$61,269

[14] Id., Attachments R-3, R-4 and R-5.

Table 14 - Revised Great Plains Proposed Decoupling Adjustments (January 2017 to December 31, 2017 Evaluation Period)

Class	Decoupling Adjustment Surcharge/(Refund)	Adjustment to Reflect 10% Cap	Adjusted Balance
Residential Rate - N60	$121,762	$0	$121,762
Residential Rate - S60	$112,633	$0	$112,633
Firm General - N70	$98,520	$0	$98,520
Firm General - S70	$143,548	$0	$143,548
Small Interruptible - N71 & N81	$29,511	$0	$29,511
Small Interruptible - S71 & S81	($17,715)	$0	($17,715)
Large Interruptible - N85 & N82	($61,225)	$0	($61,225)
Large Interruptible - S85 & S82	($301,310)	$0	($301,310)
Total Under / (Over) Collection	$125,724	$0	$125,724

The Department recommended approval of the decoupling adjustments shown in Table 14 and its corresponding RDM Factors, as shown in Table 15.

Table 15 - Monthly Average Surcharge/(Refund) Expected under Department Recommendation for Average Customer of Each Customer Class

Class	Decoupling Adjustment	Average Monthly Use (Dth)	Average Monthly Cost/(Refund)
Residential Rate - N60	$0.1870	6.4	$1.20
Residential Rate - S60	$0.1495	6.1	$0.91
Firm General - N70	$0.1988	32.5	$6.46
Firm General - S70	$0.1976	35.0	$6.92
Small Interruptible - N71 & N81	$0.0817	418.0	$34.15
Small Interruptible - S71 & S81	($0.0571)	359.0	($20.50)
Large Interruptible - N85 & N82	($0.1911)	4,450.4	($850.47)
Large Interruptible - S85 & S82	($0.1778)	20,170.9	($3,586.39)

The Department agreed that tariff changes are typically effective on a going-forward basis; however, the calculation method set forth in Great Plains' RDM Rider Pilot tariff has not yet been applied; therefore, a change in the method would not change or impact any rate currently in place or revenue received in the past. The Department concluded that a change in how the decoupling adjustment is calculated is necessary and, since the decoupling adjustment is subject to change and true-up as a pilot, a claim of retroactive ratemaking does not appear to be relevant in this instance.

3. Weather Normalized Sales

Great Plains' recommendation in Reply Comments mischaracterized the Department's original recommendation and contradicts the Commission's existing position as it relates to reporting data in the RDM Pilot evaluation. In its Comments, the Department did not recommend that

Great Plains modify its method of reporting sales in the annual CIP filings. Instead, the Department requested that Great Plains provide sales data weather normalized using 20 years of weather data, consistent with the Commission's directive to CenterPoint Energy for the purpose of enabling comparison between different utilities. Second, the Department noted that Great Plains did not provide the requested sales data in Reply Comments

Because measuring CIP achievements is an important part of evaluating Great Plains' RDM Pilot, the Department recommends that the Commission require Great Plains to provide, for this first and in all subsequent annual RDM evaluation plans, weather-normalized sales based on 20-year average weather. The Department reiterated that this recommendation does not extend to the Company's annual CIP filings or other regulatory filings.

E. Great Plains – October 4, 2018 Reply Comments

1. Application of Approved Formula

Great Plains continued to assert that its RDM calculation is correct and disagreed with the Department's suggestion that because the RDM adjustment has not yet been applied, "a change in method would not change or impact any rate currently in place or revenue received in the past." The "Filed Rate Doctrine," which is codified in Minn. Stat. §216B.05, provides that "[e]very public utility shall file with the commission schedules showing all rates, tolls, tariffs, and charges which it has established and which are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it." The "service" that is subject to the decoupling adjustment was performed in 2017 and simply because the "true-up" does not occur until later does not shield it from the requirements of the Filed Rate Doctrine and the prohibition against retroactive ratemaking.

Great Plains recognized the true-up implemented on January 1, 2018 is subject to adjustment upon the Commission's final review; however, the adjustment should be based on the formula previously approved by the Commission. Furthermore, that formula has been in effect for service provided in 2018; therefore, in the event the Commission determines the formula should be modified, the change should be applied on a prospective basis only.

2. RDM Adjustment

Great Plains stated that the Department's proposed (revised) calculations failed to account for corrections Great Plains made subsequent to the RDM Report's filing. Based on those corrections the Company stated that the correct RDM adjustments should be those reflected in Tables 16 and 17, below.

Table 16 - Capped Decoupling Adjustment Balances
(October 2016 to September 2017 Evaluation Period)

Class	Per Report as Filed	As Corrected	Difference
Residential Rate - N60	$185,034	$185,034	$0
Residential Rate - S60	$150,890	$150,890	$0
Firm General - N70	$121,618	$121,618	$0
Firm General - S70	$145,842	$145,842	$0
Small Interruptible - N71 & N81	$38,252	$38,252	$0
Small Interruptible - S71 & S81	$14,648	$18,788	$4,140
Large Interruptible - N85 & N82	$37,751	($65,586)	($103,337)
Large Interruptible - S85 & S82	($265,730)	($265,730)	$0
Total Under / (Over) Collection	$428,305	$329,108	($99,197)

Table 17 - Capped Decoupling Adjustment Balances
(January 2017 to December 31, 2017 Evaluation Period)

Class	DOC 2 - Attachment A	As Corrected	Difference
Residential Rate - N60	$121,762	$121,762	$0
Residential Rate - S60	$112,633	$112,633	$0
Firm General - N70	$98,520	$98,520	$0
Firm General - S70	$143,548	$146,009	$2,461
Small Interruptible - N71 & N81	$29,511	$29,511	$0
Small Interruptible - S71 & S81	($17,715)	($17,715)	$0
Large Interruptible - N85 & N82	$42,082	($61,255)	($103,337)
Large Interruptible - S85 & S82	($301,310)	($301,310)	$0
Total Under / (Over) Collection	$229,031	$128,155	($100,876)

3. Clarification of Weather Normalized Sales

If a revenue decoupling program is still in place after Great Plains' next rate case, the Company would not object to a requirement that it use 20-year weather-normalized sales. This would allow Great Plains to develop such weatherized approved volumes to set the rates charged customers. However, a requirement to prepare and provide this information simply for a reporting requirement that does not affect the RDM adjustments would be an administrative burden for both the Company and the Department without identifiable benefits other than to simplify comparisons between utilities.

V. Staff Analysis

Staff concurs with the Department's assertion that Great Plains' interpretation of the Commission's September 6, 2016 Order provides the Company with two benchmarks from which it can determine a better decoupling outcome. However, Staff does not consider that Order's language to explicitly ban the Company from selecting its more desirable outcome. As indicated in this record, CenterPoint's decoupling pilot had a similar methodology in place until it was changed in its most recent rate case. Since interpretation of that September 6, 2016 Order is disputed, the Commission may want to clarify its intent.

Staff points out that Great Plains filed its most current decoupling evaluation report on December 3, 2018. Since some of the decisions made in this proceeding may impact the information provided in the December 3 filing, the Commission may want to consider requiring the Company to refile its latest decoupling evaluation report so that it reflects these decisions. This alternative would give parties a "cleaner" filing upon which to develop a "cleaner" record in that proceeding.

Currently, annual decoupling evaluation reports are filed in the rate case docket (this docket); however, rate case dockets generally have a plethora of additional filing requirements related to other matters making it difficult to identify filings that solely pertain to the RDM Pilot. In order to streamline the RDM process, the Commission may want to consider instructing Great Plains to file future decoupling evaluation reports in a separate, new docket each year. That decision would be consistent with the recent instructions given to CenterPoint regarding their decoupling pilot.

VI. Decision Options

2017 Decoupling Evaluation Report

1. Accept Great Plains' 2017 revenue decoupling evaluation report, as filed using the reporting period of October 1, 2016 to September 30, 2017. (Great Plains). OR

2. Accept Great Plains' 2017 revenue decoupling evaluation report but modify decoupling adjustments to reflect the January 1, 2017 to December 31, 2017 period. (DOC primary position). OR

3. Accept Great Plains' 2017 revenue decoupling evaluation report but modify decoupling adjustments to reflect the January 1, 2017 to September 30, 2017 period, resulting in a first year 9 month reporting period. (DOC alternate position). OR

4. Reject Great Plains' revenue 2017 decoupling evaluation report and require the Company to file a new report.

Future Evaluation Periods

5. Clarify that future evaluation periods should cover an October 1 to September 30 timeline with a filing date no later than December 15th. (GP) OR

6. Clarify that future evaluation periods should cover a January 1 to December 31 calendar year with a filing date no later than March 1st. (DOC)

Designed Revenue Calculation

7. Order Great Plains to revise its Designed Revenues definition to be "authorized margin per customer multiplied by the actual customers per rate class", instead of "authorized

margin per customer multiplied by the greater of the (1) authorized customer or (2) actual customers per rate class" (DOC)

a. If this change is ordered, define the applicable period: Year 1 and forward, or Year 2 and forward, or Year 3.

8. Take no action.

Weather-Normalized Sales

9. Allow Great Plains to continue using 30-year weather normalized sales. (Great Plains) OR

10. Order Great Plains to use 20-year weather normalized sales. (DOC)

2018 Decoupling Evaluation Report

11. Order Great Plains to refile, by March 1, 2019, a new 2018 Annual Decoupling Evaluation Report that reflects decisions made in this proceeding. (Staff) OR

12. Take no action.

Separate Docket in Future

13. Order Great Plains to file future decoupling evaluation reports in a separate new docket each year. (Staff) OR

14. Take no action.