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October 4, 2018

Mr. 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 Great Plains Natural Gas Co.'s Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 1 (2016-2017) of the Pilot Program.*
Docket No. G004/GR-15-879.

Reply Comments of Great Plains Natural Gas Co.

Dear Mr. Wolf:

Great Plains Natural Gas Co. ("Great Plains"), a Division of MDU Resources Group, Inc., herewith electronically submits Reply Comments in response to the Department of Commerce's ("Department") September 7, 2018 Response Comments submitted in the above referenced docket. While Great Plains recognizes that these Reply Comments are not provided within any Commission formal Comment Period, Great Plains submits that there is good cause to accept these comments as they will help clarify the record, narrow the issues in dispute and ultimately aid the Commission in its decision-making process.

Below Great Plains responds to the Department's recommendation that the Commission (1) find that Great Plains erroneously implemented the Revenue Decoupling Mechanism ("RDM") Pilot on October 1, 2016, rather than on January 1, 2017 and that the Evaluation Period should be January-December rather than October-September; (2) find that Great Plains' RDM Adjustment formula inappropriately allows Great Plains to pick the most favorable option to the Company at the expense of customers; and (3) require Great Plains to provide weather-normalized sales based on 20-year average weather in all annual RDM evaluation plans.

(1) Evaluation Period

In its September 7 Response Comments, the Department continues to assert that it was inappropriate for the Company to use October 1, 2016 through September 30, 2017 for the initial evaluation period of the RDM pilot and that the Company should have instead used a January to December evaluation period. While Great Plains disagrees with the Department's position, it will not reiterate the arguments set forth in its May 1, 2018 Reply Comments. As discussed below, however, whatever evaluation period is accepted by the Commission, Great Plains suggests certain corrections to the Department's calculation of the RDM Adjustment.

(2) Designed Revenue Calculation

A. Application of Approved Formula

In its September 7 Response Comments, the Department alleges that Great Plains' "RDM tariff specifies that the Designed Revenues be calculated in two ways: 1) based on actual customer counts, and 2) based on authorized customer counts. The Company is then allowed to choose which method it will use as a basis for the decoupling adjustment."¹ According to the Department, allowing Great Plains to choose which method to use allows Great Plains to base "its adjustment calculation on the greatest benefit to the Company, which would contradict the language in Minnesota Statute § 216B.03 indicating: '[a]ny doubt as to reasonableness should be resolved in favor of the consumer.'"² The Department, therefore, recommends that the Designed Revenues be calculated with the "option of using the authorized customer numbers be eliminated."³ The Department's recommendation continues to reflect a fundamental misunderstanding of Great Plains' RDM Tariff.

First, Great Plains is applying a formula – not picking and choosing the most advantageous result for the Company as alleged by the Department. Great Plains' Tariff specifically provides: "Designed Revenues: authorized margin per customer multiplied by the greater of the (1) authorized customers or (2) actual customers per rate class for the 12-month period beginning October 1 of each year." This fact was confirmed by Great Plains in its September 15, 2016 Request for Clarification of the Commission's approval of the Company's RDM in Docket No. G004/GR-15-879. In its Request, Great Plains stated:

As part of its decoupling proposal, Great Plains proposed to compare the level of non-gas revenues authorized in this rate case, adjusted for customer growth, to the level of non-gas revenues collected by rate class to determine either a revenue shortfall or surplus for the preceding calendar year. Specifically, authorized non-gas revenues would be calculated by multiplying authorized margin per customer by the greater of (1) authorized customers; or (2) actual customers per rate class for

¹ Department Response Comments at p. 5.

² *Id.* at pp. 5-6.

³ *Id.* at p. 6.

the preceding year. In this respect, Great Plains would be *applying this single formula to derive any decoupling adjustment - not picking between two different calculation methodologies as suggested in the Order*. Great Plains requests this clarification to confirm that the Commission reporting requirement referenced above seeks to compare Great Plains' approved adjustment methodology with two options Commission Staff proposed as alternatives. [Emphasis added.]

Subsequently, in Commission Staff's Briefing Papers for the Commission's October 18, 2016 agenda meeting, Staff stated that "it believes the Commission's Order is clear, and thus no clarification is necessary. As the Order states, the Company will be allowed to calculate the adjustment *using its proposed formula*. The Commission merely added a reporting requirement."⁴ At the Commission's October 16 Meeting, Great Plains orally withdrew its Request for Clarification based on a common understanding of how the formula would be applied and what information would be reported to the Commission assuming a different formula/methodology was used. In this respect, the Department's premise that Great Plains is picking and choosing between two options to find the most advantageous one is simply incorrect. Great Plains applied the formula set forth in its Tariff. There is no basis to revisit the approved formula one year into the RDM Pilot.⁵

Furthermore, there is no basis to retroactively apply a different formula to events that have already taken place – that is *per se* retroactive ratemaking despite 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."⁶ The "Filed Rate Doctrine,"⁷ 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."⁸ 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.

⁴ Staff Briefing Papers at p. 2.

⁵ Great Plains' RDM was authorized for 36 months.

⁶ Department Response Comments at p. 11.

⁷ The filed rate doctrine "forbids a regulated entity to charge rates for its services other than those properly filed with the appropriate ... regulatory authority." *Ark. La. Gas Co. v. Hall*, 453 U.S. 571, 577 (1981). *See also* Minn. Stat. § 216B.05, subd. 1 (providing 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").

⁸ Furthermore, Minn. Stat. § 216B.06 provides that "[n]o public utility shall directly or indirectly, by any device whatsoever, or in any manner, charge, demand, collect, or receive from any person *a greater or less compensation for any service rendered or to be rendered by the utility than that prescribed in the schedules of rates of the public utility* applicable thereto . . ." Emphasis added.

The Company recognizes 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. The formula remains in effect for service provided in 2018. Therefore, while the Company continues to believe that the calculation in the Designed Revenues calculation in its current form is appropriate, in the event the Commission determines the formula should be modified to reflect a different formula, the formula change should be applied on a prospective basis only – that is – to service provided on or after the date the Tariff is changed.

B. RDM Adjustment

The Department states 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" in calculating the RDM adjustment.⁹ Great Plains strongly disagrees with the Department's characterization, Great Plains' failure to include the new N82 customer in its RDM was an error in the application of the formula. Great Plains, therefore, does not object to the Department's recommendation that the N82 customer revenues be factored into the RDM Adjustment.

Great Plains, however, believes that the Department's proposed RDM adjustment reflecting this change as set forth in Tables R-1, R-3 through R-7 and R-10 fails to account for corrections Great Plains made subsequent to the filing of the RDM Report. In particular, Tables R-1, R-6 and R-7 calculate adjustments based on Great Plains December 1, 2017 RDM Evaluation Report. In response to Department Information Request No. 2, however, Great Plains corrected a customer count error in the Report calculations that impacted the RDM Adjustment. As shown in the table below, the correction resulted in a small change to the decoupling adjustment balance for the S71 & S81 rate class (assuming an October 2016 – September 2017 Evaluation Period).¹⁰ The change associated with the correction identified for the Large Interruptible N85 & N82 rate group is also included in the Table below.

⁹ Department Response Comments at p. 7.

¹⁰ Great Plains did not undertake the same calculation assuming a January 2017 to September 2017 Evaluation Period as neither Great Plains nor the Department are recommending such a period. Great Plains also opposes using less than one year as the Evaluation Period as inconsistent with the RDM Tariff.

**Capped Decoupling Adjustment Balances
October 1, 2016 - September 30, 2017 Evaluation Period**

Rate Class	Per Report as Filed	As Corrected	Difference
Residential Rate - N60	\$ 185,034	\$ 185,034	\$ -
Residential Rate - S60	150,890	150,890	-
Firm General - N70	121,618	121,618	-
Firm General - S70	145,842	145,842	-
Small Interruptible - N71 & N81	38,252	38,252	-
Small Interruptible - S71 & S81 1/	14,648	18,788	4,140
Large Interruptible - N85 & N82 2/	37,751	(65,586)	(103,337)
Large Interruptible - S85 & S82	(265,730)	(265,730)	-
Total Under / (Over) Collection	\$ 428,305	\$ 329,108	\$ (99,197)
1/ Reflects corrections addressed in Response No. DOC 2 - Attachment B, submitted February 1, 2018.			
2/ Reflects the designed revenue calculation proposed by the Department and supported by the company, as first provided in Response No. DOC 3 - Attachment B, submitted July 2, 2018.			

Further, Department tables R-3 through R-5 and R-10 calculate adjustments based upon the Company's response to Department Information Request No. 2. Attachment A to that response included decoupling adjustment calculations for a January through December evaluation period but included an error in the customer counts for the Firm General S70 class. Great Plains subsequently provided Response No. DOC 2 – Attachment A – "Corrected," which explained and addressed the error. The table below shows the small impact the correction had on the decoupling balance for Firm General S70. The change associated with the correction identified for the Large Interruptible N85 & N82 rate group is also included in the Table below.

Capped Decoupling Adjustment Balances				
January 1, 2017 - December 31, 2017 Evaluation Period				
Rate Class	DOC 2 - Attachment A	As Corrected	Difference	
Residential Rate - N60	\$ 121,762	\$ 121,762	\$ -	
Residential Rate - S60	112,633	112,633	-	
Firm General - N70	98,520	98,520	-	
Firm General - S70 1/	143,548	146,009	2,461	
Small Interruptible - N71 & N81	29,511	29,511	-	
Small Interruptible - S71 & S81	(17,715)	(17,715)	-	
Large Interruptible - N85 & N82 2/	42,082	(61,255)	(103,337)	
Large Interruptible - S85 & S82	(301,310)	(301,310)	-	
Total Under / (Over) Collection	\$ 229,031	\$ 128,155	\$(100,876)	
1/ Reflects corrections addressed in Response No. DOC 2 - Attachment A - Corrected, submitted February 5, 2018.				
2/ Reflects the designed revenue calculation proposed by the Department and supported by the company, as first provided in Response No. DOC 3 - Attachment B, submitted July 2, 2018.				

Finally, the Department also recommends "that the Commission modify the Company's proposed revenue decoupling factors and approve the revenue decoupling factors shown in Table R-10 below. These revenue decoupling factors are based on the evaluation period and implementation presented in the Company's September 22, 2016 Compliance Filing, and correction of the customer count issue discussed in the body of these Response Comments."¹¹ In reviewing the decoupling factors in Table R-10, Great Plains notes that the factors use the RDM Formula as set forth in Great Plains' existing Tariff and does not mandate the use of actual customers as is recommended by the Department. While Great Plains believes this is the appropriate approach and what is required by Great Plains' Tariff, Great Plains highlights this fact for the Department's review.

(3) Clarification of Weather Normalized Sales

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. This requirement conforms to the Commission's prior decisions on this matter and will simplify comparisons between utilities."¹² As the Company previously noted, Great Plains' RDM Report reflects weather normalized sales included in the Company's 2013-2015 CIP Triennial filing, which reflects the average three-year weather normalized sales which includes 36-month regressions for the Company's firm classes using 30 years of weather data. For this reason, the Company recommended the Commission reject the Department's recommendation

¹¹ Department Response Comments at p. 16.

¹² *Id.* at pp. 16-17.

to adjust weather normalized information reported in the Company's CIP filings to maintain consistency in reporting CIP results across Great Plains' CIP and RDM report filings.

Great Plains would not object, however, to a requirement that Great Plains use weather-normalized sales based on 20-year average weather after the Company completes its next rate case if RDM is still in place. This would allow Great Plains to develop such weatherized approved volumes used 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 to compile, analyze, and review the results by both the Company and the Department without identifiable benefits other than to simplify comparisons between utilities.

(4) Conclusion

Great Plains appreciates the opportunity to provide these brief Reply Comments.

Sincerely,

/s/ Tamie. A. Aberle

Tamie A. Aberle
Director of Regulatory Affairs

cc: Brian Meloy
Service List