

July 22, 2022

Mr. Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket Nos. G004/GR-19-511 and G004/M-22-157

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Great Plains Natural Gas Company's Annual Report on Incentive Compensation and Refund Plan

Travis R. Jacobson, Director of Regulatory Affairs for Great Plains Natural Gas Co., filed the petition on March 31, 2022.

The Department recommends the Commission approve Great Plains' Annual Report on Incentive Compensation and Refund Plan. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ MARK JOHNSON  
Financial Analyst Coordinator

MJ/ja  
Attachment



## Before the Minnesota Public Utilities Commission

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

Docket Nos. G004/GR-19-511 and G004/M-22-157

#### I. BACKGROUND AND SUMMARY OF PETITION

On October 26, 2020, the Minnesota Public Utilities Commission (Commission) issued its *FINDINGS OF FACT, CONCLUSIONS, AND ORDER* in Docket No. G004/GR-19-511 (2019 Rate Case Order). Ordering Point 3 stated:

Great Plains shall file an annual report on incentive compensation and refund to ratepayers all incentive compensation amounts approved by the Commission and included in base rates that are not paid out to employees under the program. To determine the amount of actual incentive compensation paid that is recoverable from rate payers, the Company shall apply the 15% cap to each employee's salary. The annual Incentive Compensation Report shall include at a minimum the following:

- a. A description of the incentive compensation plan;
- b. The accounting of amounts of unpaid incentive compensation built into rates to be returned to ratepayers;
- c. An evaluation of the incentive plan's success in meeting its stated goals, including payout ratio;
- d. A proposal for refund, if applicable; and
- e. Identification of each performance indicator and its associated scorecard information, such as the measure, the goal for various attainment levels, (threshold, target, maximum), its funding weight and the actual result achieved; and to report the overall plan payout percentage attained relative to the target goal of 100%.

On March 31, 2022, Great Plains Natural Gas Company (Great Plains or the Company) filed its Annual Report on Incentive Compensation and Refund Plan for 2021 (Petition) in accordance with the Commission's 2019 Rate Case Order. As shown therein, the amount of 2021 incentive compensation paid to employees on March 1, 2022 totaled \$246,213 for the Minnesota jurisdiction.<sup>1</sup> This is \$15,679 less than the authorized amount of \$261,892 for the Minnesota jurisdiction included in its 2019 Rate Case.<sup>2</sup> Great Plains stated that consistent with its 2019 Rate Case Order, incentive compensation recovered through base rates in 2021 was limited to target level achievement, capped at a maximum of 15% of employee's base pay.<sup>3</sup>

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<sup>1</sup> Petition at 2.

<sup>2</sup> *Id.*

<sup>3</sup> Petition at 2-3.

Great Plains proposes to refund the \$15,679 to Minnesota ratepayers by providing a credit to customers in its next Revenue Decoupling Mechanism rate update.<sup>4</sup> Great Plains' proposed refund amount of \$15,679 for 2021 equates to approximately \$0.37 per average residential customer.<sup>5</sup>

The Department provides its analysis of Great Plains' Petition below.

## **II. DEPARTMENT ANALYSIS**

### **A. DESCRIPTION OF INCENTIVE COMPENSATION PLANS**

Great Plains described its various incentive compensation plans beginning on page 4 and in Attachment A of the Petition.

The Department reviewed Great Plains descriptions of its incentive compensation plans and concludes the Company complied with the Commission's 2019 Rate Case Order, Ordering Point 3, Part a.

### **B. ACCOUNTING OF UNPAID AMOUNTS TO BE RETURNED TO RATEPAYERS**

Great Plains provided a summary of its incentive compensation payouts to Minnesota ratepayers in Attachment C of the Petition. The amount of 2021 incentive compensation paid to employees totaled \$246,213 for the Minnesota jurisdiction. This is less than the authorized amount of \$261,892 included in its 2019 Rate Case and results in a refund of \$15,679 for Minnesota ratepayers.

The Department reviewed Great Plains calculations and concludes the Company complied with the Commission's 2019 Rate Case Order, Ordering Point 3, Part b.

### **C. EVALUATION OF INCENTIVE PLANS' SUCCESS IN MEETING STATED GOALS AND PAYOUT RATIOS**

Great Plains provided calculations evaluating its various incentive compensation plans and their relevant success in meeting stated goals and payout ratios on pages 5-8 and in Attachments A and B of its Petition.

Based on our review, the Department concludes Great Plains complied with the Commission's 2019 Rate Case Order, Ordering Point 3, Part c.

### **D. REFUND PROPOSAL**

Great Plains stated the following on page 9 of its Petition regarding its refund proposal:

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<sup>4</sup> Petition at 9.

<sup>5</sup> *Id.*

In compliance with Order Point 3, the Company is proposing to refund incentive compensation of \$15,679 as a credit to the true-up balance calculated in the Company's Revenue Decoupling Mechanism (RDM). The credit will then be allocated the customer classes based on the distribution revenue allocation authorized in Docket No. G-004/GR-19-511, as shown in Attachment E, page 1. This application maintains authorized rate design of the over-recovery of these incentive costs as collected through the Company's base rates within the mechanism being used to refund. By applying the refund as a credit to the RDM true-up balance, Minnesota customers will benefit through a reduction in the RDM rates. If approved, customers would be advised of the refund through a communication included in a bill insert included in customers' bills at the time of the Company's next RDM rate update.

The Company explored other refunding options; however, as shown in Attachment E, page 2 the de minimis nature of the refund supports inclusion in the Company's RDM. This schedule identifies the average number of customers for 2021 as well as the total billed Dk, and calculates an average refund per customer and average refund per Dk. For the 2021 annual incentive refund, the average residential customer's refund would be \$0.37.

The Company has previously processed refunds through bill credits, but the process is administratively burdensome when factoring in the time and resources necessary to accurately apply the refund to customers' accounts. An added complexity in that administration is that customers are not static, meaning customers are cutting in and out of service every day, some moving within the Company's service territory while others move out. If the Company were to follow the refund plan used when refunding customers in the Tax Cuts and Jobs Act Docket No. E,G-999/CI-17-895, inactive customers owed a refund would receive a check if their refund was greater than \$5.00. Inactive customer refunds less than \$5.00 would be handled in accordance with Minnesota Statute 345.34. In that docket, the average residential customer refund was \$16.24 and the Company issued 1,391 checks to inactive residential customers with refunds greater than \$5.00. 992 residential customers had refunds less than \$5.00 and were handled in accordance with Minnesota Statute 345.34. Therefore, in recognition of the average residential refund being \$0.37 and the administrative complexities with refunds, the Company believes the administration of the refund is best accomplished through a reduced RDM rate where the \$15,679 incentive over-recovery would be used to off-set the balance of the RDM true-up.

The Department reviewed Great Plains' refund analysis and proposal. The Department concludes the Company provided the relevant information required under the Commission's 2019 Rate Case Order, Ordering Point 3, part d. Moreover, the Department generally agrees with the Company's proposal to provide its annual incentive compensation refunds for 2021 in its next RDM rate update; however, the Department recommends the Company explain when it anticipates making its next RDM rate update filing and when ratepayers can expect to see 2021 annual incentive compensation refunds reflected in their bills.

*E. IDENTIFICATION OF EACH PERFORMANCE INDICATOR, SCORECARD INFORMATION, GOALS FOR ATTAINMENT LEVELS, FUNDING WEIGHT, RESULTS, AND OVERALL PLAN PAYOUT PERCENTAGE.*

Great Plains provided the required information on pages 5-8 and in Attachments A and B of its Petition.

Based on our review, the Department concludes Great Plains complied with the Commission's 2019 Rate Case Order, Ordering Point 3, Part e.

**V. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS**

The Department recommends the Commission approve Great Plains' Annual Report on Incentive Compensation and Refund Plan for 2021.

The Department recommends the Company explain when it anticipates making its next RDM rate update filing and when ratepayers can expect to see 2021 annual incentive compensation refunds reflected in their bills.

## **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. G004/GR-19-511 and G004/M-22-157**

Dated this **22<sup>nd</sup>** day of **July 2022**

**/s/Sharon Ferguson**

[illegible]

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Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-511_19-511
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	7400 Lyndale Ave S Ste 190  Richfield, MN 55423	Electronic Service	Yes	OFF_SL_19-511_19-511
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_22-157_M-22-157
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_22-157_M-22-157
Travis	Jacobson	travis.jacobson@mdu.com	Great Plains Natural Gas Company	400 N 4th St  Bismarck, ND 58501	Electronic Service	No	OFF_SL_22-157_M-22-157
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_22-157_M-22-157
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_22-157_M-22-157
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350  Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_22-157_M-22-157