

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: December 8, 2016 * **Agenda Item #** 2

Company: Greater Minnesota Gas, Inc. (GMG or the Company)

Docket No. G-022/M-16-494
In the Matter of GMG's Request for Conservation Improvement Program Cost Recovery

Issues: Should the Commission allow Greater Minnesota Gas, Inc. (GMG) to implement a Conservation Improvement Program (CIP) cost recovery rider and an annual Conservation Cost Recovery Adjustment (CCRA)?

Should the Commission approve an initial CCRA of \$0.18/dekatherm, effective January 1, 2017?

Staff: Sundra Bender 651-201-2247

Relevant Documents

GMG – Initial Filing June 1, 2016
Department - Comments and Attachments August 31, 2016
GMG - Reply Comments September 9, 2016
GMG – Letter-Proposed Customer Notification..... September 14, 2016
Department – Response Comments October 26, 2016

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November 23, 2016

Statement of the Issue

Should the Commission allow Greater Minnesota Gas, Inc. (GMG) to implement a Conservation Improvement Program (CIP) cost recovery rider and an annual Conservation Cost Recovery Adjustment (CCRA)?

Should the Commission approve an initial CCRA of \$0.18/dekatherm, effective January 1, 2017?

Background

On June 1, 2016, GMG filed a request for approval of a CIP Recovery Rider.

On August 31, 2016, the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC), filed comments recommending that the Commission approve the Company's Petition with modifications and requesting that GMG provide additional information in reply comments.

On September 9, 2016, GMG filed reply comments in which it agreed with the modifications recommended by the Department, provided additional information requested by the Department, and clarified two factual issues.

On September 14, 2016 GMG submitted proposed customer notification language.

On October 26, 2016, the Department responded and recommended approval with modifications.

Relevant Statute

Minnesota Statute § 216B.16, subd. 6b as follows:

Subd. 6b. **Energy conservation improvement.**

(a) Except as otherwise provided in this subdivision, all investments and expenses of a public utility as defined in section [216B.241, subdivision 1](#), paragraph (h), incurred in connection with energy conservation improvements shall be recognized and included by the commission in the determination of just and reasonable rates as if the investments and expenses were directly made or incurred by the utility in furnishing utility service.

(b) The commission shall not include investments and expenses for energy conservation improvements in determining (i) just and reasonable electric rates for retail electric service provided to large customer facilities whose electric utilities have been exempted by the commissioner under section [216B.241, subdivision 1a](#), paragraph (b), with respect to those large customer facilities; or (ii) just and reasonable gas rates for large energy facilities, large customer facilities whose natural gas utilities have been exempted by the commissioner under section [216B.241, subdivision 1a](#), paragraph (b), or commercial gas customer facilities

whose natural gas utilities have been exempted by the commissioner under section [216B.241, subdivision 1a](#), paragraph (c).

(c) The commission may permit a public utility to file rate schedules providing for annual recovery of the costs of energy conservation improvements. These rate schedules may be applicable to less than all the customers in a class of retail customers if necessary to reflect the requirements of section [216B.241](#). The commission shall allow a public utility, without requiring a general rate filing under this section, to reduce the electric rates applicable to large customer facilities that have been exempted by the commissioner under section [216B.241, subdivision 1a](#), paragraph (b), and to reduce the gas rate applicable to a large energy facility, a large customer facility or commercial customer facility that has been exempted by the commissioner under section [216B.241, subdivision 1a](#), paragraph (b) or (c), or by the commission under section [216B.241, subdivision 2](#), by an amount that reflects the elimination of energy conservation improvement investments or expenditures for those facilities. In the event that the commission has set electric or gas rates based on the use of an accounting methodology that results in the cost of conservation improvements being recovered from utility customers over a period of years, the rate reduction may occur in a series of steps to coincide with the recovery of balances due to the utility for conservation improvements made by the utility on or before December 31, 2007.

(d) Investments and expenses of a public utility shall not include electric utility infrastructure costs as defined in section [216B.1636, subdivision 1](#), paragraph (b).

Party Positions

GMG

GMG requested approval to implement an annually-adjustable rate rider to recover costs associated with its statutorily-required Conservation Improvement Plan. Such annual adjustments are commonly called a Conservation Cost Recovery Adjustment, or CCRA.

GMG proposes to start with a CCRA of \$0.18/dekatherm (Dth), effective January 1, 2017.

GMG proposes to use a three-year amortization of the projected December 2016 CIP tracker balance and factor in a recovery component for anticipated Triennial expenditures.

The Company proposed to submit annual Conservation Improvement Program Adjustment filings on July 1 and implement the new Adjustment on the following January 1. In reply to the Department's Comments, GMG agreed to make its annual CIP Tracker/CCRA filing by May 1 of each year instead of by July 1 as it had originally proposed.

GMG also agreed to provide monthly data in future CIP tracker/CCRA filings, incorporating the Department's template.

In response to the Department, GMG clarified that its 2015 CIP tracker did not include the Next Generation Energy Act (NGEA) assessments. Including the NGEA assessments raises the unrecovered balance to \$339,875 and the total requested recovery to \$315,287.67. However, the impact of including the NGEA assessments in the total amount that GMG seeks to recover does not change the requested CCRA of \$0.18/dekatherm.

GMG also clarified that (1) it intends to visit the issue of whether to seek financial incentives beginning in 2018; and (2) that the CIP-exempt totals that were reported were deliveries to Xcel Energy related to GMG's firm transportation agreement with Xcel Energy for Xcel Energy's distribution in the Holdingford, Minnesota area, approved in Docket No. G022/M-14-342.

Department

The Department noted that GMG has not kept a record of carrying charges for over- and under-recovery of expenses. GMG did not request a carrying charge. The Department stated that:

Given that this is GMG's initial request to establish a CCRA, GMG's ratepayers should not be subject to a carrying charge for unrecovered amounts. However, once the 3-year amortization period has concluded, it may be reasonable to institute a carrying charge in order to ensure that both ratepayers and the Company are appropriately compensated.

The Department concluded that all issues have been resolved, and recommended that the Commission:

- 1) approve Greater Minnesota Gas's 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 Comments;
- 2) require Greater Minnesota Gas to provide monthly data in all future CIP tracker/CCRA filings;
- 3) approve the proposed CCRA of \$0.18/Dth for all of Greater Minnesota Gas'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. The approval is conditioned on the Company submitting, within 10 days of the issue date of the *Order* in the present docket, a compliance filing with the relevant tariff sheets and necessary calculations that comply with the Commission's determinations; and
- 4) require the Company to submit annual CIP tracker and CCRA filings by May 1.

Staff Comment

Although there was no controversy in this docket, staff provides further discussion on two items, tracker account activities, and CIP exempt volumes.

Tracker Account Activities

In its initial comments, the Department asked GMG to confirm in reply comments that NGEA assessments for the full and correct amount were included in the 2015 CIP tracker. Instead, GMG's reply comments, as noted above, clarified that its CIP tracker did not include the NGEA assessments. GMG proposed to modify the tracker balance to include them.

The Department has recommended that the Commission approve GMG's 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 Comments.

As clarified by GMG, Table 2 of the Department's August 31, 2016 Comments did not include the NGEA assessments. Instead of approving the 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 Comments, the Commission may wish to approve the 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 Comments with revisions to reflect the relevant NGEA assessments. The revisions to the CIP tracker account could be provided and documented in a compliance filing.

CIP Exempt Volumes

The Department stated that "To ensure CIP tracker adequacy, it is necessary to review CIP data in monthly increments..." To that end, the Department requested GMG's actual CIP expenses, MCF sales, and CIP-exempt sales for each month. The Company's response is provided in the Department's August 31, 2016 *Comments* as DOC Attachment E. The Department noted that GMG provided CIP-exempt sales figures, but according to the Department's CIP engineering staff, the Company does not have any customers who have been approved for CIP-exempt status pursuant to statute. The Department further stated that the Company appropriately used total sales in its calculations.¹

In reply, GMG clarified that:

The CIP-exempt totals that were reported were deliveries to Xcel Energy ("Xcel") related to GMG's firm transportation agreement with Xcel for Xcel's distribution in the Holdingford, Minnesota area which was approved in Docket No. G022/M-14-342. GMG is merely transporting Xcel's gas and Xcel is not a retail natural gas customer of GMG. Consequently, GMG excluded the deliveries from its CIP sales figures. GMG used the reference to being exempt in a general sense and did not intend to suggest that the amounts qualify as CIP-exempt in the term-of-art sense that would stem from large facility exemptions obtained by petition.

¹ Department August 31, 2016 *Comments* at p. 4, footnote 6.

In Docket G-022/M-14-342, the Commission authorized the creation of a “Transportation for Resale” tariff for the Firm Gas Transportation Agreement between GMG and Xcel Energy (Xcel).

Although the Department stated that GMG clarified that it does not currently have any CIP-exempt customers,² staff notes that GMG appears to treat the transportation for resale sales to Xcel as exempt from CIP charges in its calculations of CCRC recovery and the CCRA factor.

Staff is not aware of any Minnesota Statute, or Rule, that specifically addresses transportation for resale by one Minnesota regulated public utility to another Minnesota regulated public utility.

Minnesota Statute 216B.241, Subd. 1a. states in part:

Investment, expenditure, and contribution; public utility.

(a) For purposes of this subdivision and subdivision 2, "public utility" has the meaning given it in section [216B.02, subdivision 4](#). Each public utility shall spend and invest for energy conservation improvements under this subdivision and subdivision 2 the following amounts:

(1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues from service provided in the state;

For purposes of this paragraph (a), "gross operating revenues" do not include revenues from large customer facilities exempted under paragraph (b), or from commercial gas customers that are exempted under paragraph (c) or (e).

From GMG’s clarification, its sales to Xcel Energy have not been exempted under Minn. Stat. 216B.241, subd. 1a(b) or (c).

Under the Transportation for Resale tariff, GMG is transporting gas to Xcel for distribution by Xcel to Xcel Energy’s customers in the Holdingford area. Xcel’s customers will likely be paying Xcel’s CIP charges (unless they qualify for exemption). Xcel is not the end-use customer in this instance. It seems to make sense for GMG to not charge Xcel GMG’s CIP costs, since Xcel will be charging the end-use customers Xcel’s CIP costs.

However, if the Commission believes that GMG should be treating the transportation sales for resale to Xcel as CIP applicable, rather than CIP exempt, it should require GMG to recalculate its tracker balance and proposed CCRA to reflect this, instead of approving GMG’s CIP tracker activities and proposed CCRA.

For background, staff notes that MERC has a transportation for resale tariff, under which it treats the sales as CIP applicable.³ Additionally, the Commission required MERC to treat sales to an

² Department October 26, 2016 *Response Comments* at p. 2.

³ Staff believes the sales under this MERC tariff are to Northwest Gas Company, a small, investor-owned natural gas utility that is treated as exempt from Commission rate regulation pursuant to Minn. Stat. § 216B.16, subd. 12.

Iowa LDC for redistribution to the Iowa LDC's customers as CIP applicable.⁴ The sales to the Iowa LDC occurred in Minnesota and were pursuant to MERC's General Service tariff.

The two MERC sales mentioned above can be differentiated from GMG's sale for resale to Xcel in that neither were sales to a Minnesota regulated public utility that has a Minnesota DOC Commissioner approved CIP.

⁴ March 18, 2015 Order *In the Matter of a petition by Minnesota Energy Resources Corporation (MERC) for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-011/GR-13-617.

Decision Options

Approval of CIP cost recovery rider and annual CCRA

1. Approve 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).

or

2. Deny GMG's request for a CIP cost recovery rider and an annual CCRA.

Calculation of CIP tracker activity and the CCRA

3. Require GMG to recalculate its CIP tracker and include the transportation sales to Xcel Energy as CIP applicable (i.e., show base rate recovery applicable to these sales) along with the NGEA assessments. [Staff provided alternative]

and

4. If option 3 is adopted, require Greater Minnesota Gas to recalculate the CCRA, including the volume of Xcel Transportation for Resale sales in the calculation, to be effective the later of January 1, 2017, or on the first billing cycle in the next full month after Commission approval. [Staff provided alternative]

or

5. Do not require GMG to recalculate its CIP tracker to include the transportation sales to Xcel Energy as CIP applicable; and

- a) Approve Greater Minnesota Gas's 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 *Comments*. [DOC] or

- b) Approve Greater Minnesota Gas's 2015 CIP tracker account activities as summarized in Table 2 of the Department's August 31, 2016 *Comments* with revisions to reflect the relevant NGEA assessments. [Staff provided alternative]

and

6. If option 5a or 5b is adopted, approve the proposed CCRA of \$0.18/Dth for all of Greater Minnesota Gas's Minnesota customer classes, to be effective the later of January 1, 2017, or on the first billing cycle in the next full month after Commission approval. [DOC]

Compliance filings

7. Require Greater Minnesota Gas, within 10 days of the issue date of the *Order* in the present docket, to submit a compliance filing with the relevant tariff sheets and necessary calculations that comply with the Commission's determinations. [DOC]
8. Require Greater Minnesota Gas to provide monthly data in all future CIP tracker/CCRA filings. [DOC, GMG agreed]
9. Require Greater Minnesota Gas to submit annual CIP tracker and CCRA filings by May 1. [DOC, GMG agreed]