June 3, 2019

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-19-198

Dear Mr. Wolf:

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 (Great Plains or the Company) Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 2 (Evaluation Report) of the Pilot Program.

The decoupling evaluation report was filed on March 1, 2019 and updated on March 8, 2019 by:

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

Based on its review of Great Plains' updated Evaluation Report, the Department recommends that the Minnesota Public Utilities Commission (Commission):

- approve the RDM factors as presented in the Company's March 8, 2019 updated filing;
- approve the proposed tariff changes as presented in Great Plains' March 8, 2019 updated filing; and
- allow Great Plains to continue its RDM Pilot for calendar year 2019.

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

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

AJH\ja
Attachment

MN COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G004/M-19-198

I. BACKGROUND

On September 6, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions of Law, and Order* (*September 6 Order*) in Great Plains Natural Gas Company's (Great Plains or the Company) 2015 General Rate Case, Docket No. G004/GR-15-879. As part of this *September 6 Order*, the Commission authorized Great Plains to implement a full Revenue Decoupling Mechanism (RDM) Pilot (RDM Pilot) under Minnesota Statute § 216B.2412. Ordering Point 26.B in the Commission's *September 6 Order* required the Company to include in annual reports, and the final project report, the calculations of its decoupling adjustments derived using the per-customer method and the per-customer-class method. On September 22, 2016, Great Plains submitted a compliance filing containing the revised schedules of rates and charges (*September 22 Compliance*) as required by the *September 6 Order*.

The Company submitted its first RDM Pilot Evaluation Report on December 1, 2017 in accordance with its *Final Rates Compliance*. The first evaluation report encompassed the period from October 1, 2016 to September 30, 2017. On April 6, 2018, the Department submitted comments protesting the Company's modification of its tariff and the evaluation period used in the first report. Great Plains and the Department exchanged several rounds of comments regarding the first evaluation report. On February 7, 2019, the Commission issued its *Order* (*February 7 Order*) regarding the first evaluation report. In its *February 7 Order*, the Commission ruled that January 1, 2017 to December 31, 2017 was the appropriate evaluation period and future reports should reflect data from the prior calendar. The Commission also ruled that future reports shall be filed by March 1 of the year following the period evaluated and that these reports shall be filed in a new docket.

On March 1, 2019, Great Plains filed its second RDM Pilot Evaluation Report (Evaluation Report),[1] in this docket, in compliance with the Commission's *February 7 Order*. On March 8, 2019, Great Plains filed an updated evaluation report with supporting schedules, rate calculations, and tariffs that incorporated a refund for a large customer that was omitted from the 2015 rate case test year. This updated report was made in response to decisions by the

[1] The RDM Pilot is planned to be in effect for 36 months; as such, there will be at least one more evaluation report related to this pilot program.

Commission at its March 5, 2019 Agenda Meeting.[2] On March 29, 2019, the Commission issued its *Order Approving Refund* (*March 29 Order*) requiring Great Plains to refund $54,456 in revenue associated with the previously omitted large customer through the RDM adjustment. The Commission also ordered that this refund be apportioned to ratepayers using the same apportionment method used in the 2015 rate case. The Department analyzes the Company's Evaluation Report and updated filing below.

II. DEPARTMENT EVALUATION

A. OVERVIEW

The Company proposed its RDM Pilot evaluation plan in its initial rate case petition filed on September 30, 2015. The Department reviewed the proposed RDM Pilot evaluation plan in its Direct Testimony and concluded it was generally reasonable apart from minor modifications. The Commission approved Great Plains' RDM Pilot mechanism and evaluation plan in its *September 6 Order*. The Commission subsequently clarified the RDM tariff language and appropriate evaluation period in its *February 7 Order*.

The purpose of Great Plains' RDM Pilot is to eliminate the Company's throughput incentive and thus eliminate the Company's disincentive to encourage its customers to invest in energy savings. Under the RDM Pilot, Great Plains is allowed to recover its authorized revenues for non-fuel costs, regardless of causes in variation (*e.g.*, weather, economic factors), adjusted for customer growth, up to the approved revenue cap.

Great Plains' RDM adjustments are based on the difference between authorized revenues, per rate class, and actual revenues, per rate class. Authorized revenues, referred to in the model as Designed Revenues, are calculated by multiplying the Authorized Margin per customer[3] by the greater of either the number of customers in each customer class authorized in the last rate case or the actual number of customers per rate class. The Designed Revenues are compared to the actual revenues received, and the difference is divided by the forecasted sales volumes for each rate class. Any excess revenue will be returned to customers, and any revenue shortfall, up to ten percent of non-gas margin revenues, will be surcharged over the next 12-month period. If the Company over recovers, Great Plains is required to refund all revenues above the authorized amount over the subsequent year.

[2] The agenda item concerned a December 3, 2018 letter filed by the Minnesota Department of Commerce, Division of Energy Resources in Docket No. G004/GR-15-879 alerting the Commission Great Plains failed to disclose that a large customer started receiving service shortly after Great Plains filed its general rate case.

[3] The Authorized Margin per Customer equals the non-gas revenues divided by the number of customers per rate class as authorized in Great Plains' last rate case.

An evaluation of the impact of Great Plains' RDM Pilot on the Company's commitment to energy conservation efforts starts with the establishment of a 2013-2016 pre-decoupling baseline. Great Plains' Conservation Improvement Program (CIP) results are collected and reported on a calendar-year basis; therefore, the evaluation period filed by the Company in its first evaluation report (October 1, 2016 to September 30, 2017) included part of the baseline period and thus could not be compared to the baseline. This second Evaluation Report represents the first comparison of post-decoupling energy savings to pre-decoupling energy savings; namely, the Evaluation Report includes CIP information for calendar year 2017.[4] On April 26, 2019, the Company filed its annual CIP progress report in Docket No. G004/M-19-287. This CIP filing includes conservation savings and expenditure data for calendar year 2018, which the Department incorporates into its analysis and review in Section II.C of these *Comments*.

Below, the Department discusses:

- Great Plains' historic energy conservation and CIP data (2013-2016);
- the Company's overall energy savings during the pre-decoupling period and in calendar years 2017 and 2018, the post-decoupling period;
- the Company's collection of revenues under the RDM pilot; and
- the impact of the RDM Pilot on customer rates over the recovery period from April 1, 2019 to March 30, 2020.

B. PROPOSED DECOUPLING ADJUSTMENTS

The evaluation period that Great Plains used to track non-gas revenues in this Evaluation Plan is calendar year 2018. Great Plains tracked revenues for all its rate classes and only excluded sales and revenues associated with its CIP exempt and flexible rate customers.[5] The Company's proposed decoupling adjustments are presented in the March 8, 2019 updated Evaluation Report's Exhibits A and B. These updated RDM adjustments are summarized in Table 1 below.

[4] Since the Report was filed on March 1, 2019, these conservation data were unavailable at the time of filing. Great Plains Response to Department Information Request No. 3 (Department Attachment 1).

[5] Great Plains noted that a Rate S82 customer transitioned to a flexible contract rate on January 1, 2018. The Company included this customer and its sales in the determination of authorized customer counts and revenues since this customer was included in the rate class figures from the rate case. Great Plains did, however, modify its determination of actual revenues for this class to account for this customer receiving service at a lower, negotiated rate. The Company explained that it made this adjustment since the customer was originally included in the test year, therefore failure to account for actual revenues associated with this customer would result in any shortfall being fully recovered through the RDM adjustment. Great Plains *Evaluation Report*, Pages 10-11. The Department reviewed the Company's adjustment to actual revenues and concludes that it is reasonable and appropriate to account for some portion of this customer's revenue since the customer was included in the base revenue calculation in the rate case.

Table 1: Great Plains' Proposed Decoupling Adjustments

Rate Class	Decoupling Adjustment Balance Calendar Year 2018	Cap Adjustment	Under/(Over) Prior Period Adjustment	Adjustment for Omitted Customer	Net Balance
Residential Rate - N60	($94,696)	$0	($155,471)	($13,394)	($263,561)
Residential Rate - S60	($116,591)	$0	($108,779)	($12,735)	($238,105)
Firm General - N70	($32,236)	$0	($77,949)	($7,496)	($117,681)
Firm General - S70	$13,460	$0	($60,097)	($8,730)	($55,367)
Small Interruptible - N71 & N81	($29,879)	$0	($27,218)	($3,538)	($60,635)
Small Interruptible - S71 & S81*	$7,817	$0	($39,596)	($3,486)	($35,265)
Large Interruptible - N85 & N82	($35,194)	$0	($106,966)	($2,615)	($144,775)
Large Interruptible - S85 & S82	($41,588)	$0	$55,827	($2,462)	$11,777
Total Under/(Over) Collection	**($328,907)**	**$0**	**($520,429)**	**($54,456)**	**($903,612)**

As shown in Table 1 above, the RDM adjustment for this year includes several components. In terms of RDM recovery for calendar year 2018, Great Plains over-recovered relative to authorized revenues for all rate classes except the Small Firm General S70 and Small Interruptible S71 & S81 rate classes. The under-recoveries for these rate classes were below 10 percent; therefore, there was no adjustment to the surcharge amount. As noted in Section II.A above, all over-recoveries are returned to ratepayers.

The RDM adjustment also includes an adjustment for prior period recovery of the RDM which, given the dispute with the evaluation period from the first evaluation report, encompasses revenues from October 2016 to December 2017. For all rate classes except the Large Interruptible S85 & S82 rate class, the Company over-recovered revenues during the prior period.

The third component included in this year's RDM adjustment is the refund associated with the Commission's *March 29 Order* requiring Great Plains to refund $54,456 in revenue. This refund amount relates to 2016 revenue associated with a large customer that was not included in the Company's 2015 rate case sales forecast. The Commission ordered that this refund be returned to ratepayers through the RDM adjustment and apportioned to rate classes using the apportionment of revenue responsibility approved in the 2015 rate case.

Based on its review of the Company's recovery calculations and revised tariff sheets, the Department concludes that Great Plains correctly implemented the Commission's *February 7 Order* and *March 29 Order* in Docket No. G004/GR-15-879. The Department verified that the RDM adjustment calculations are accurate and that the apportionment of revenue responsibility for the large customer refund is accurate. The Department also reviewed the Company's rate calculations and tariff sheets provided in its March 8, 2019 filing and concludes that Great Plains' tariff sheets are appropriate and reflect the RDM adjustment revenues and Commission Orders. The Department recommends that the Commission approve Great Plains' RDM rates provided in the March 8, 2019 updated Evaluation Report.

C. GREAT PLAINS' ENERGY SAVINGS

Minnesota Statutes § 216B.241, Subdivision 3 states:

> Subd. 3. **Pilot programs.** The commission shall allow one or more rate-regulated utilities to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings. On or before a date established by the commission, the commission shall require electric and gas utilities that intend to implement a decoupling program to file a decoupling pilot plan, which shall be approved or approved as modified by the commission. A pilot program may not exceed three years in length. Any extension beyond three years can only be approved in a general rate case, unless that decoupling program was previously approved as part of a general rate case. The commission shall report on the programs annually to the chairs of the house of representatives and senate committees with primary jurisdiction over energy policy.

The Department brings particular attention to the sentence in Subd. 3, which states, "Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings." The Department discusses this in greater detail below.

Below, the Department provides highlights from Great Plains' 2018 Evaluation Report, which provided substantial data and analyses concerning the Company's CIP and historical savings. Since this is the Company's second Evaluation Plan, and the first that enables comparison of pre-decoupling conservation and post-decoupling conservation, the information in this report can be used to analyze the relative success of Great Plain's RDM Pilot and compare conservation performance to the period prior to revenue decoupling. This is important since given the Commission's Ordering Point No. 26.C in its September 6, 2016 *Order* in Docket No. G004/GR-15-879, which states the following:

> The Commission asks the Department, in Great Plains' next rate case, to propose an appropriate minimum level of energy savings that the utility should achieve before Great Plains could qualify to implement a revenue decoupling surcharge.

The Department anticipates that Great Plains will file its next rate case by the end of this year. The conservation-related information provided in the Company's Evaluation Report, and the Company's next evaluation report, will be an important resource in the Department's future analysis of the Company's energy savings as they relate to revenue decoupling and whether continuing the RDM Pilot beyond the pilot period is appropriate.

1. Level of Energy Savings

Energy savings in this section are presented both as *first-year* energy savings, which refers to the amount of energy savings that would result from the energy conservation technologies and processes during the first 12 months after implementation, and *lifetime* energy savings, which refers to the energy savings expected during the lifetime of each of the energy conservation measures and processes. When lifetime energy savings are presented, these figures are clearly labeled as lifetime savings, all other data represents first-year energy savings.

The Department is able to use these baseline data to determine what, if any, impact the implementation of the Company's RDM Pilot has had on Great Plains' commitment to energy savings. There have been two full calendar years (2017 and 2018) since the implementation of the Company's RDM Pilot. As noted above, the Evaluation Report filed by Great Plains only included information for calendar year 2017. On April 26, 2019, the Company filed CIP data for calendar year 2018, which the Department incorporates into the charts and tables in these *Comments*.[6]

Figure 1 illustrates the Company's annual energy savings for the years 2013-2016, which represents Great Plains' pre-decoupling base period, and 2017-2018, which represents Great Plain's post-decoupling period. Unlike other utilities with an approved decoupling adjustment, the Department notes that all of the energy saving information in the Company's pre-decoupling period is after the implementation of the 2007 Next Generation Energy Act. The 2007 Next Generation Energy Act changed the goals associated with the CIP programs and set an energy savings goal of 1.5 percent per year of retail sales.

[6] Docket No. G004/M-19-287.

Figure 1: Great Plains' CIP Energy Savings (Dekatherm (Dth)) by Customer Segment

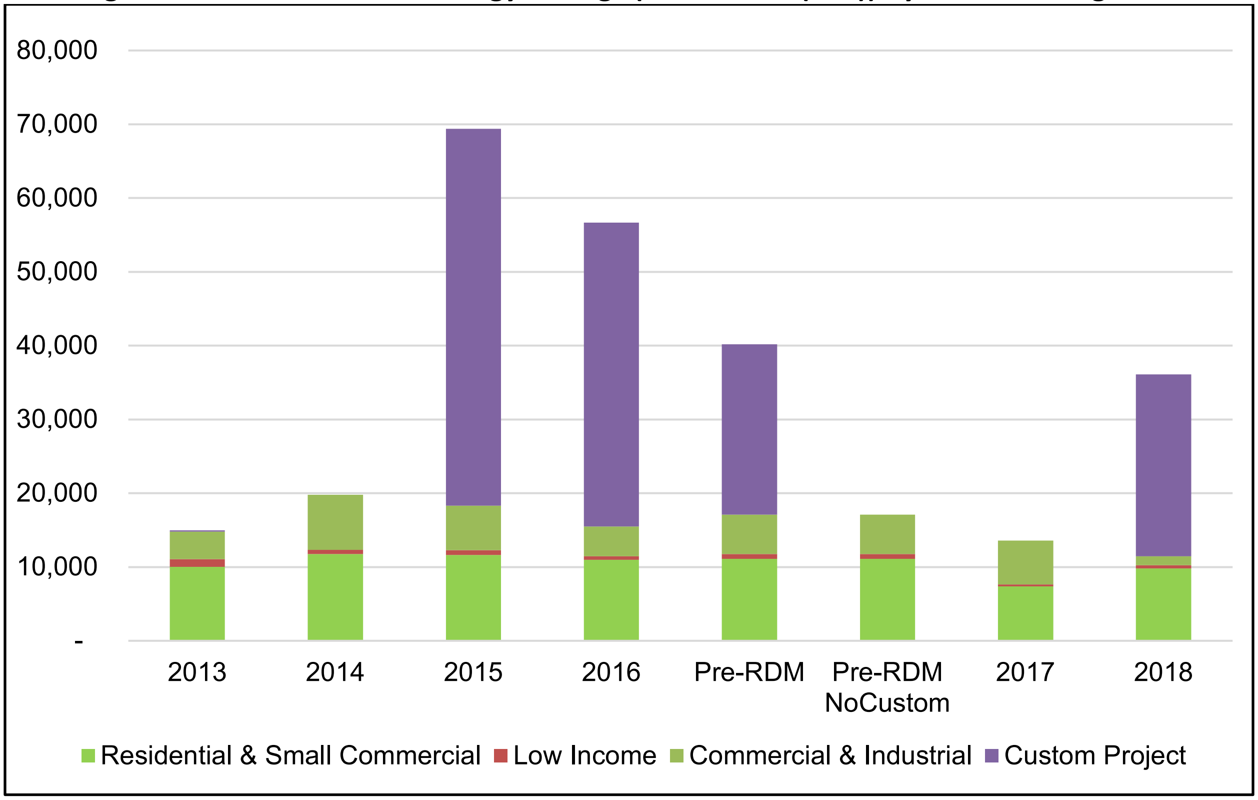


Table 2 below shows the data underlying Figure 1 to facilitate evaluating changes in individual customer classes.

Table 2: Great Plains' Historical First-Year CIP Energy Savings (Dth) for Residential, Low-Income Residential, and Commercial and Industrial Customer Classes

Year/Period	Residential & Small Commercial	Low Income	Commercial & Industrial	Custom Project	Non-Custom Savings	Overall Program
2013	10,010	1,073	3,705	181	14,788	14,969
2014	11,751	561	7,476	0	19,788	19,788
2015	11,610	649	6,066	51,068	18,325	69,393
2016	10,991	467	4,024	41,187	15,482	56,669
2017	7,387	250	5,940	0	13,577	13,577
2018	9,817	422	1,198	24,646	11,437	36,083
Pre-Decoupling Average (2013-2016)	11,091	688	5,318	23,109	17,096	40,205

As shown in Table 2, Great Plains' 2015 energy savings achievements were its highest during both the pre-decoupling period and the entire evaluation period. The Department notes that the 2015 energy savings includes significant savings associated with custom projects. When custom projects are removed from the totals, Great Plains' 2014 energy savings achievements represented the highest amount during the base period. Clearly, custom projects produce highly variable results over the years, and has a large impact on annual savings achievements.

As shown above, Great Plains' energy savings performance has not improved since the implementation of the RDM Pilot. In fact, when custom projects are removed, the Department notes that overall savings have decreased in 2017 and 2018 relative to average savings in the pre-decoupling period.

Table 3 below shows the Company's CIP energy savings as a percent of weather-normalized retail sales.

Table 3: Great Plains CIP Energy Savings as a Percent of Weather-Normalized Sales

CIP Plan Period	Year	Applicable 3-year Average Weather Normalized Sales (Dk)	Annual Energy Savings (Dk)	Energy Savings as a % 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%
2017-2019 Triennial Period	2017	5,580,608	13,577	0.24%
	2018	5,580,608	36,083	0.65%

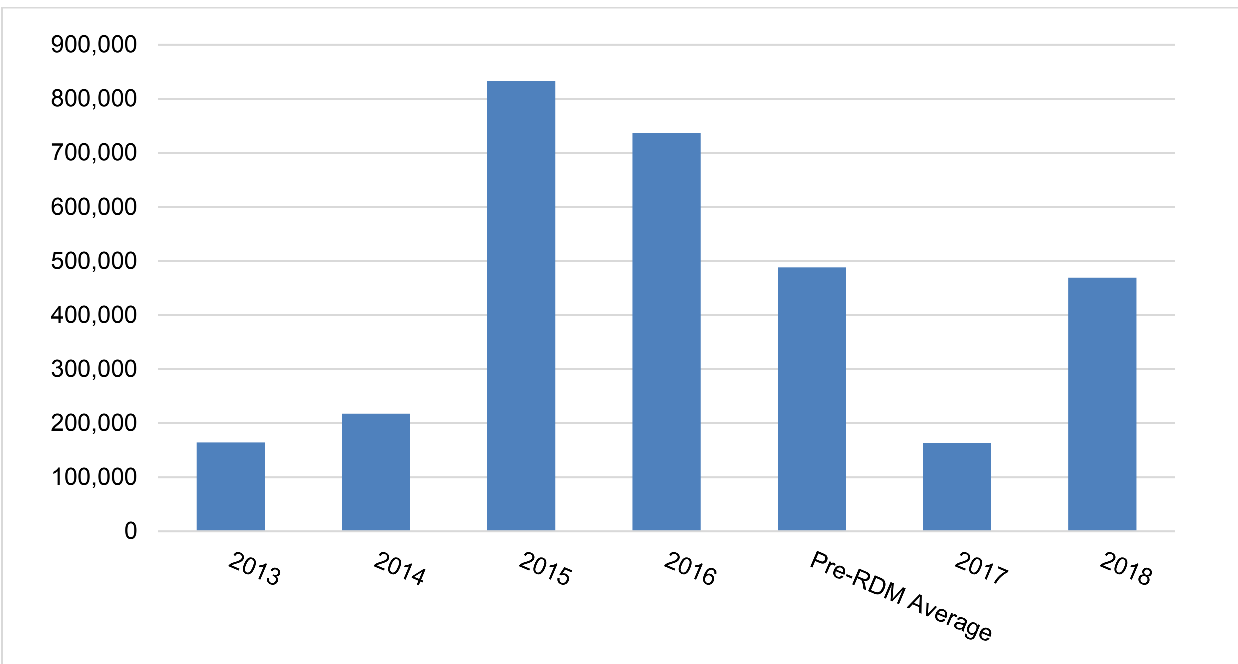
As shown in Table 3 above, Great Plains' first-year energy savings as a percent of retail sales increased from 0.27 percent in 2013 to 1.25 percent in 2015 and then decreased to 0.24 percent in 2017 and 0.65 percent in 2018. At no point since 2013, either before or after the implementation of the RDM Pilot, has Great Plains reached the 1.5 percent of retail sales goal included in the CIP Statute.

The Department is troubled by the lack of improvement in Great Plains' energy savings since the implementation of the RDM Pilot. The Department is aware that decoupling does not directly lead to energy conservation; however, this rate design mechanism is designed to remove the disincentive of lost sales. As such, the Department expects, all else being equal, an increase or maintenance of energy savings levels when an RDM is in place. In addition, the Department notes that Minnesota Statute § 216B.2412, Subd. 3, which governs pilot decoupling programs, directs the Commission to:

> …assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings.

The wording in Minnesota Statute 216B.2412 is clear that increased energy conservation is an important part of assessing the merits of a decoupling pilot and, conceivably, whether extension of the pilot or creation of a permanent decoupling adjustment is prudent. The Department will continue to monitor this metric in Great Plains' next evaluation report to determine whether energy savings increase with the RDM Pilot.

Figure 2: Great Plains' Lifetime Energy Savings Created (Dth) Through Annual CIP Achievements



The lifetime energy savings projected by the Company are comparable, from a growth standpoint, to Great Plains' first-year energy savings. The increased lifetime savings in 2015 and 2016, and rebound in savings in 2018, are likely related to increases in custom project savings in those three years. The Department notes that going forward there may be adjustments to lifetime savings when new CIP triennial filings are made by the Company since lifetime savings assumptions may change between filings.

To put Great Plains' energy savings in context, the Company's average residential customer uses approximately 76.4 Dth per year on average.[7] Great Plains' 2018 lifetime energy savings were 469,079 Dth, enough savings to provide natural gas service to approximately 6,140 residential customers for a year.

2. Energy Savings Expenditures

Figure 3 below illustrates the Company's CIP expenditures by customer segment.

Figure 3: Great Plains' Annual CIP Expenditures by Customer Segment

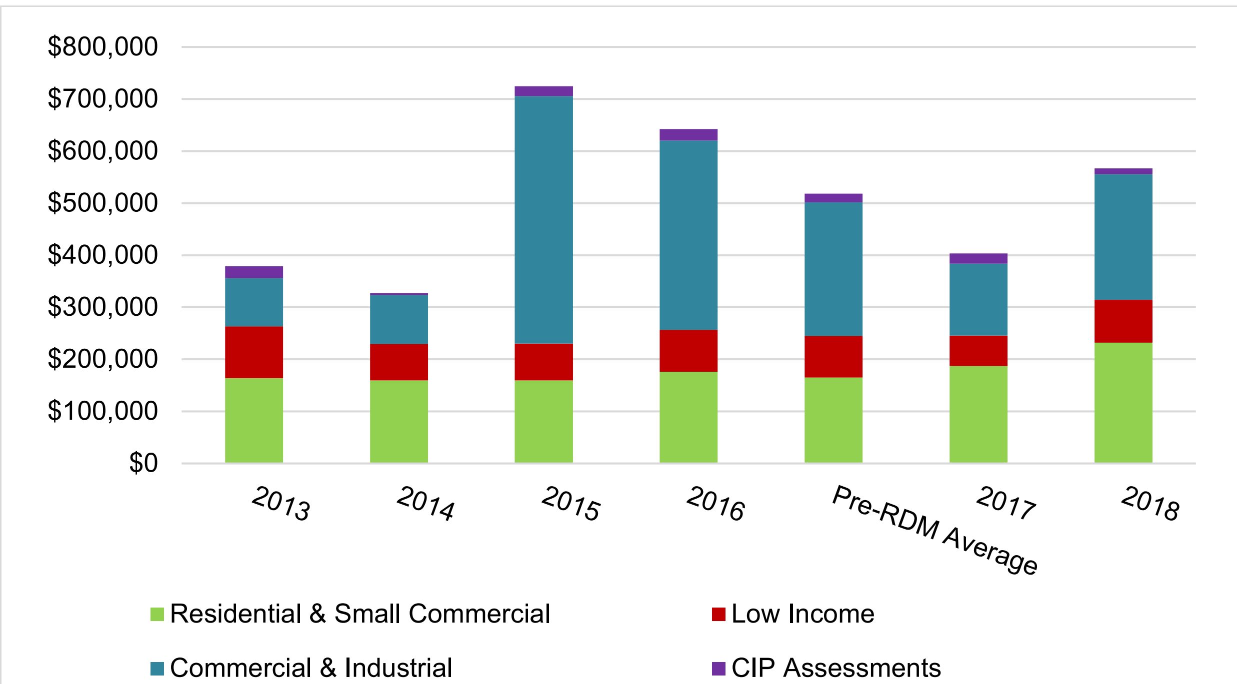


Table 4 below shows the data underlying Figure 3, which makes it easier to view changes in expenditures for individual customer classes.

[7] February 23, 2016 Direct Testimony of Laura Otis, LBO-10, Page 20 of 21 in Docket No. G004/GR-15-879.

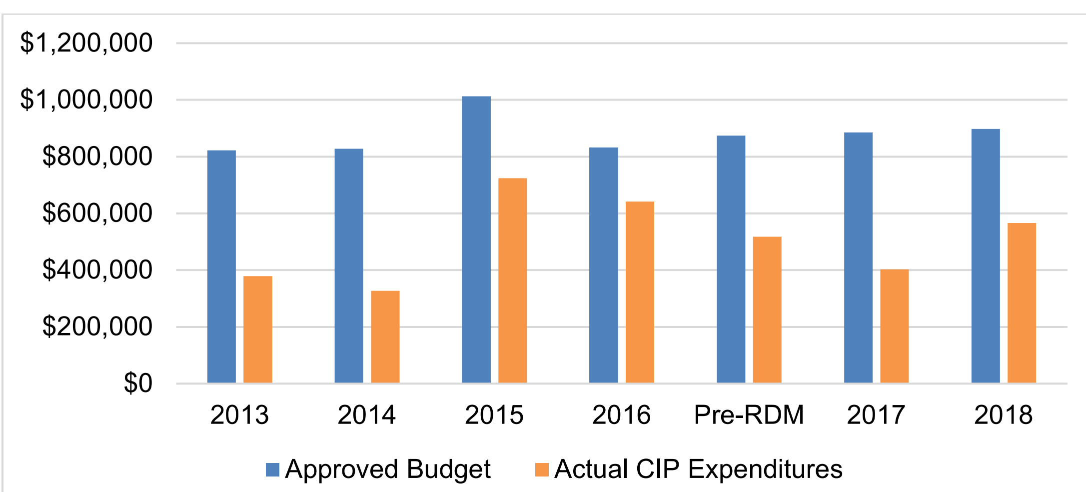
Table 4: Great Plains CIP Expenditures by Customer Segment (2013-2018)

Year/Period	Residential & Small Commercial	Low-Income	Commercial and Industrial	CIP Assess ments	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**
2017	$187,072	$58,553	$138,061	$19,432	**$403,118**
2018	$232,027	$82,136	$241,294	$11,164	**$566,621**

These data from the past two calendar years is mixed regarding Great Plains' commitment to energy conservation from an expenditure standpoint. As shown in Table 4 above, Great Plains' 2015 and 2016 CIP expenditures were the highest over the six-year period examined in these data. CIP expenditures in 2017 were below the pre-decoupling average and CIP expenditures in 2018 were above the pre-decoupling average by approximately $50,000 or approximately 9.34 percent.

Figure 4 below illustrates the Company's actual CIP expenditures compared to authorized CIP expenditures.

Figure 4: Approved CIP Expenditures vs Authorized CIP Expenditures



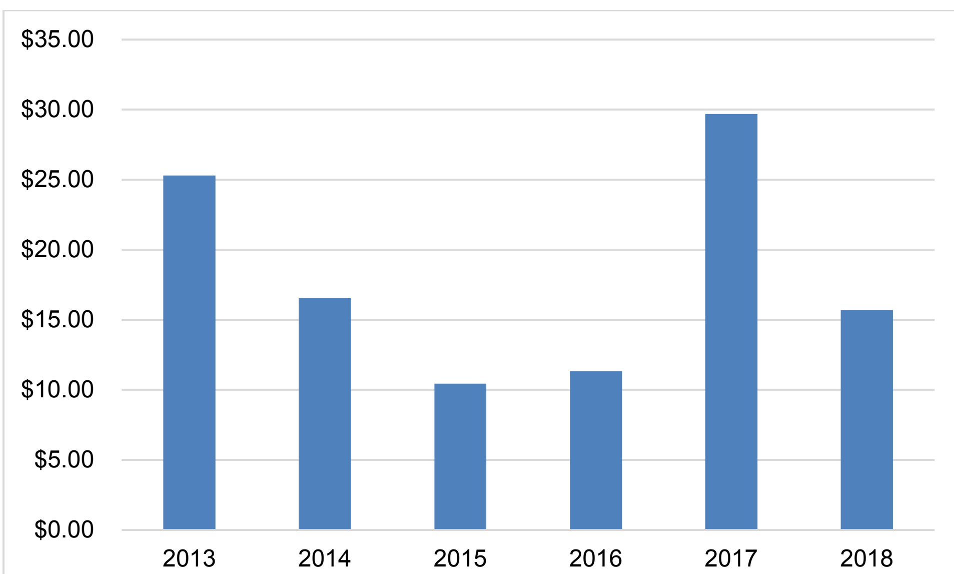
The Department analyzed the expenditure data for calendar years 2017 and 2018 and notes that, although overall expenditures exceeded the pre-decoupling average in 2018, CIP expenditures on a customer-segment basis were all significantly below the authorized amount except for the Residential & Small Commercial segment.[8]

Based on its review of the Company's expenditures data, the Department has concerns regarding Great Plains' commitment to energy conservation. Great Plains briefly explained in its initial filing that low natural gas prices have impacted customers' interest in energy-saving projects.[9] The Department does not dispute this point; however, gas prices are only one of several factors influencing customer interest in conservation (*e.g.,* minimizing utility bills, concern for the environment). As currently presented, the CIP expenditure data suggests that Great Plains' commitment toward conservation has not changed as a result of the RDM Pilot, which may call into question the long-term viability of the Company's RDM Pilot. The Department will continue to monitor CIP expenditure data in future RDM evaluation reports.

3. Changes in Cost per Dth Saved

Figure 5 below shows the first-year cost per Dth for the Company's CIP achievements over the period 2013-2018.

Figure 5: Great Plains' Cost per Dth for First-Year Energy Savings

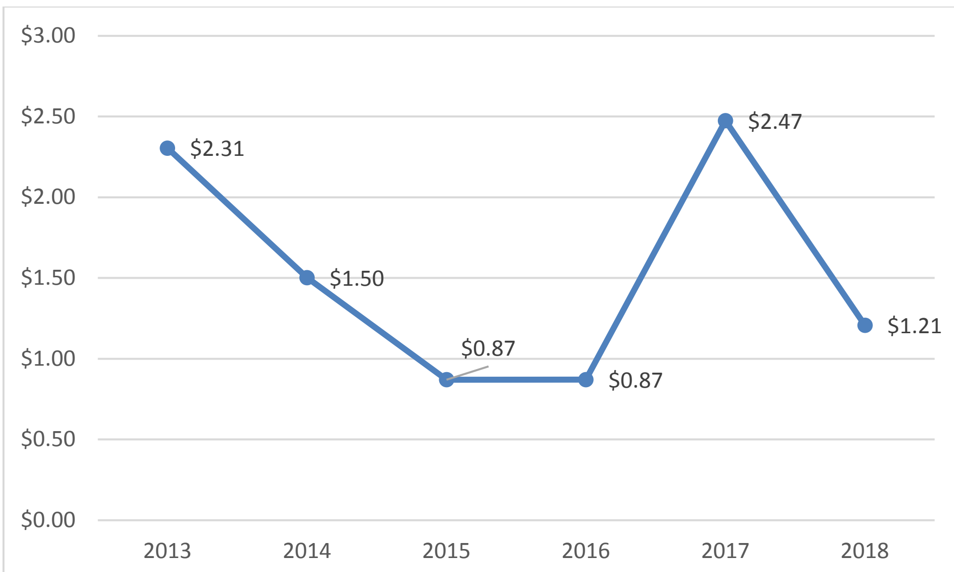


[8] April 26, 2019 *Status Report*, Docket No. G004/M-19-287, Pages 1 and 2. Department Attachment 2.
[9] Great Plains Report, Page 18.

As shown in Figure 5 above, the cost per first-year energy savings peaked in 2017 and decreased significantly in 2018, reaching costs similar to those experienced in 2014. Great Plains' 2017 $/first-year Dth saved ($29.69 per Dth) was $15.36 per Dth greater than the Company's 2016 $/first-year Dth saved ($11.33 per Dth). The Company's 2018 $/first-year Dth saved ($15.70 per Dth) decreased $13.99 per Dth compared to 2017.

Figure 6 below shows the cost per lifetime Dth saved for each year.

Figure 6: Cost of Lifetime Energy Savings Created Through Annual CIP Achievements ($/Dth)



A review of Figure 6 shows that the Company's cost per lifetime energy savings peaked in 2017 at $2.47 per Dth and was also at a relatively high level in 2013 at $2.31 per Dth. In all other years, the cost per lifetime energy savings was below $1.50 per Dth.

Lifetime energy savings cost an average of $1.39 per Dth in the pre-decoupling period 2013-2016. Since the implementation of decoupling, the lifetime energy savings cost is an average of $1.84 per Dth. The Department will continue to monitor this metric in Great Plains' next evaluation report to determine whether costs remain higher than the pre-decoupling average.

D. HISTORY OF REVENUE COLLECTION AND USE PER CUSTOMER

1. Under/Over Recovery of Revenues

In Attachment A of the Evaluation Report, and Exhibit B of its updated filing, Great Plains included schedules detailing its calculations of the RDM Pilot adjustments.[10] The adjustments are calculated by comparing the evaluation period (January 2018 to December 2018) actual revenue per customer (RPC), by rate class, with the authorized revenue per customer (excluding CIP) from Great Plains' rate case (Docket No. G004/GR-15-879).

Weather conditions during the proposed evaluation period (January 2018 to December 2018) were colder than normal, which resulted in an over-recovery of revenue for most of the Company's rate classes. Great Plains under-recovered from its Small General Firm and Small Volume Interruptible rate classes in its South District. Table 5 below illustrates these under- and over-recoveries.

[10] Great Plains provided electronic spreadsheets detailing its calculations in response to Department Information Request Nos. 1 and 2.

Table 5: Calculation of Under (Over Recovery) for Great Plains' Proposed Evaluation Period of January 1, 2018, to December 31, 2018

Customer Class	Actual Customer Count	Authorized Customer Count	Actual Revenues	Designed Revenues	Actual Rev/ Customer	Authorized Rev/ Customer	Non-Gas Margin Cap	Calendar Year 2018 Net Under(Over)		10% Cap	Decoupling Revenue	Under/(Over) Prior Period Adjustment*	Net Balance
Residential—N60	8,563	8,499	$2,164,373	$2,069,677	$243.52	$252.76	$2,069,677	($94,696)	(4.58)%	N/A	($94,696)	($155,471)	($250,167)
Residential—S60	10,360	10,337	2,296,646	2,180,055	$210.90	$221.68	2,180,055	($116,591)	(5.35)%	N/A	($116,591)	($108,779)	($225,370)
Firm General—N70	1,266	1,271	1,189,054	1,156,818	$910.16	$939.22	1,156,818	($32,236)	(2.79)%	N/A	($32,236)	($77,949)	($110,185)
Firm General—S70	1,790	1,732	1,548,297	1,561,757	$901.71	$864.97	1,561,757	$13,460	0.86%	$156,176	$13,460	($60,097)	($46,637)
Small IT—N71 and N81	63	72	595,354	565,475	$7,853.82	$9,450.06	565,475	($29,879)	(5.28)%	N/A	($29,879)	($27,218)	($57,097)
Small IT—S71 and S81	64	72	555,953	563,770	$7,830.14	$8,686.77	563,770	$7,817	1.39%	$56,377	$7,817	($39,596)	($31,779)
Large IT—N85 and N82	5	5	281,769	246,575	$49,315.00	$56,353.80	246,575	($35,194)	(14.27)%	N/A	($35,194)	($106,966)	($142,160)
Large IT—S85 and S82	7	7	525,705	484,117	$69,159.57	$75,100.71	484,117	($41,588)	(8.59%)	N/A	($41,588)	$55,827	$14,239

*Balance as of March 31, 2019.

For the calendar year 2018 evaluation period, there were no rate classes that encountered the 10 percent cap on surcharges and there was only one class that experienced an over-recovery in excess of 10 percent. As noted in Section II.A above, refunds to ratepayers are not capped by the RDM tariff.

The RDM factors and decoupling revenues that Great Plains proposes to recover from ratepayers are shown in Table 6 below.

Table 6: Per-Therm Surcharges/(Refunds) by Rate Class

Customer Class	RDM Factor ($/Dth)	Decoupling Revenue
Residential—N60	($0.3816)	($263,561)
Residential—S60	($0.3050)	($238,105)
Firm General—N70	($0.2312)	($117,681)
Firm General—S70	($0.0742)	($55,367)
Small IT--North	($0.1360)	($55,367)
Small IT--South	($0.0896)	($35,265)
Large IT--North	($0.4005)	($144,775)
Large IT--South	$0.0151	$11,777
Total Net Decoupling Revenue		($903,612)

The RDM factors and revenues presented in Table 6 above include recovery from the current decoupling period (calendar year 2018), prior period collection, and the refund amount from the Commission's *March 29 Order*. The Department reviewed the electronic spreadsheets provided in the Company's response to discovery and confirmed that the calculations and resulting RDM factors and decoupling revenue are reasonable.

Table 7 below shows the monthly average surcharge/(refund) expected for each customer class based on information provided in Great Plains' Exhibit B of its updated Evaluation Report.

Table 7: Monthly Average Surcharge/(Refund) for an Average Customer by Customer Class

Customer Class	Decoupling Adjustment	Average Monthly Use (Dth)	Average Monthly Cost/(Refund)
Residential—N60	$(0.3816)	6.7	($2.56)
Residential—S60	$(0.3050)	6.3	($1.92)
Firm General—N70	$(0.2312)	33.3	($7.70)
Firm General—S70	$(0.0742)	35.3	($2.62)
Small IT--North	$(0.1360)	530.7	($72.18)
Small IT--South	$(0.0896)	449.5	($40.28)
Large IT--North	$(0.4005)	5,020.5	($2,010.71)
Large IT--South	$0.0151	10,804.5	$163.15

III. CONCLUSIONS AND RECOMMENDATIONS

Based on its review of the Company's Evaluation Report and updated Evaluation Report, the Department concludes that Great Plains complied with the Commission's directives as required in its *February 7 Order* and *March 29 Order*.

The Department recommends that the Commission:

- approve the RDM factors presented in Great Plains' March 8, 2019 updated filing and reproduced in Table 8 below;
- approve the proposed tariff changes as presented in Great Plains' March 8, 2019 updated filing; and
- allow Great Plains to continue its RDM Pilot for calendar year 2019.

Table 8: Revenue Decoupling Factors for Great Plains' Decoupled Customer Classes - Surcharge/(Refund) per Dth

Customer Class	RD Factor ($/Dth)
Residential—N60	$(0.3816)
Residential—S60	$(0.3050)
Firm General—N70	$(0.2312)
Firm General—S70	$(0.0742)
Small IT--North	$(0.1360)
Small IT--South	$(0.0896)
Large IT--North	$(0.4005)
Large IT--South	$0.0151

/ja

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: G004/M-19-198		☐Nonpublic ☒Public
Requested From:	Great Plains Natural Gas Company	Date of Request: 3/4/2019
Type of Inquiry:	General	Response Due: 3/14/2019

Requested by: Adam Heinen
Email Address(es): adam.heinen@state.mn.us
Phone Number(s): 651-539-1825

Request Number: **3**
Topic: Revenue Decoupling Mechanism and Energy Savings
Reference(s): Initial Filing

Request:

In its review of the Company's Initial Filing, the Department observed that Great Plains only includes energy savings and CIP related data through calendar year 2017. Please fully explain why Great Plains did not provide information for calendar year 2018. Please also provide any, and all, energy savings and CIP related charts and data through calendar year 2018.

If this information has already been provided in initial petition or in response to an earlier Department-DER information request, please identify the specific cite(s) or Department-DER information request number(s).

Response:

The Company is currently in the process of compiling and reviewing its energy savings and CIP related data through calendar year 2018 to be included in the Company's annual Conservation Improvement Program (CIP) Status Report to be filed by May 1, 2019. Due to timing differences between the Company's annual RDM and CIP filings, the CIP related data provided in its annual decoupling reports will reflect the prior calendar year information, not the calendar year just ending.

To be completed by responder

Response Date: March 14, 2019
Response by: Jordan Hatzenbuhler
Email Address: Jordan.hatzenbuhler@mdu.com
Phone Number: 701-222-7743

GREAT PLAINS NATURAL GAS CO.
2018 CONSERVATION INCENTIVE PROGRAMS (CIP) STATUS REPORT

Pursuant to Minnesota Statute 7690.0550 and the Minnesota Department of Commerce, Division of Energy Resources (Department) November 3, 2016 Decision on the 2017-2019 CIP Triennial Filing in Docket G004/CIP-16-121, Great Plains submits this status report on its Conservation Improvement Program (CIP). This report covers the 2018 CIP year: January 1, 2018 through December 31, 2018.

I. Overall Summary:

The approved 2018 budget for the CIP was $897,408, while Great Plains' actual expenditures for the twelve-month period ending December 31, 2018 were $566,621, which exceeds the minimum spending requirement of $121,325. The low-income expenditures of $82,136 exceeded the minimum spending requirement of $50,375 based on the methodology established in the 2013 legislation. Please see Attachment B for a summary of the details of the expenditures, participants and decatherm (dk) savings for 2018.

Great Plains achieved 63.1 percent of its total expenditure goal and 47.7 percent of its Low-income expenditure goal, as demonstrated below:

	Expenditures			% of
	Authorized 1/	Actual	Difference	Authorized
Residential and Small Commercial				
Space Heating Equipment	$143,931	$215,617	$71,866	149.8%
Water Heating Equipment	14,167	13,147	(1,020)	92.8%
Attic Insulation	405	0	(405)	0.0%
Pilotless Fireplace	507	97	(410)	19.1%
Residential Energy Assessment	21,950	3,166	(18,784)	14.4%
Total Residential	$180,960	$232,027	$51,067	128.2%
Low Income				
Weatherization	$96,890	$41,564	($55,326)	42.9%
Furnace Replacement	71,030	40,092	(30,938)	56.4%
Furnace/Boiler Tune-up	4,240	480	(3,760)	11.3%
Hot Water Heater Temp Set-Back	0	0	0	0.0%
Total Low-Income	$172,160	$82,136	($90,024)	47.7%
Commercial & Industrial				
Space Heating Equipment	$47,874	$22,184	($25,690)	46.3%
Water Heating Equipment	2,793	1,185	(1,608)	42.4%
Commercial Boiler Equipment	27,513	987	(26,526)	3.6%
Foodservice Equipment	2,538	0	(2,538)	0.0%
Custom	418,849	216,938	(201,911)	51.8%
Building Certification Program	5,077	0	(5,077)	0.0%

Commercial Energy Assessment	6,029	0	(6,029)	0.0%
Industrial Energy Assessment	7,615	0	(7,615)	0.0%
Total Commercial and Industrial	$518,288	$241,294	($276,995)	46.6%
CIP Assessments	26,000	11,164	(14,836)	42.9%
Total CIP Program	$897,408	$566,621	($330,787)	63.1%

The actual 2018 Residential and Small Commercial Program expenditures, including administration expenses, were 28.2 percent over the budgeted expenditure goal. The primary reason for the increase in this program's expenditures is due to participation in Space Heating Equipment, which was 38.8 percent over authorized participation and 49.8 percent of budgeted expenditures. The variance in participation and expenditures in the Residential and Small Commercial Program is largely offset by the lower than authorized participation and expenditures in the Low Income and Commercial & Industrial Programs. Total Portfolio expenditures were 63.1 percent of authorized and participation was 88.3 percent of authorized.

The variance from the authorized total portfolio expenditures for 2018 is primarily attributable to the lower participation in the Commercial and Industrial Program, including Custom Projects. The continuing low commodity price of natural gas has decreased the incentive for customers to partake in custom conservation projects. Excluding this line item, 2018 expenditures were approximately 86 percent of the budgeted expenditures.

Great Plains achieved 63.2 percent of its 2018 authorized dk savings target.

	Dk Savings			% of
	Authorized 1/	Actual	Difference	Authorized
Residential and Small Commercial				
Space Heating Equipment	6,063	9,060	2,997	149.4%
Water Heating Equipment	1,075	753	(322)	70.0%
Attic Insulation	13	0	(13)	0.0%
Pilotless Fireplace	22	4	(18)	18.2%
Residential Energy Assessment	0	0	0	0.0%
Total Residential	7,173	9,817	2,644	136.9%
Low Income				
Weatherization	1,050	220	(830)	21.0%
Furnace Replacement	323	194	(129)	60.1%
Furnace/Boiler Tune-up	74	8	(66)	10.8%
Hot Water Heater Temp Set-Back	14	0	(14)	0.0%
Total Low-Income	1,461	422	(1,039)	28.9%
Commercial & Industrial				
Space Heating Equipment	2,949	1,015	(1.934)	34.4%
Water Heating Equipment	161	144	(17)	89.4%
Commercial Boiler Equipment	1,105	39	(1.066)	3.5%
Foodservice Equipment	257	0	(257)	0.0%

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/M-19-198

Dated this 3rd day of June 2019

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_19-198_M-19-198
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_19-198_M-19-198
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_19-198_M-19-198
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_19-198_M-19-198
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_19-198_M-19-198
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_19-198_M-19-198