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# **Report on Decoupling and Decoupling Pilot Programs**

**Pursuant to  
Minnesota Statutes, Section 216B.2412**

**February, 2019**

## **General Legislative Report Information**

Minnesota Public Utilities Commission  
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Minnesota Statutes, Section 216B.2412, subdivision 3 requires the Minnesota Public Utilities Commission (Commission) to report annually to the Legislature on decoupling and decoupling pilot programs.

Pursuant to Minnesota Statutes, Section 3.197, the Minnesota Public Utilities Commission estimated costs for preparing this Report are minimal as most if the information is developed in the normal course of business. Special funding was not appropriated for the costs of preparing this report.

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## **Background**

Minnesota Statutes, Section 216B.2412, enacted in 2007, requires the Minnesota Public Utilities Commission (Commission) to establish criteria and standards for the decoupling of energy sales from revenues and establish at least one pilot program for a rate-regulated natural gas or electric utility.

### **Statutory Definition of Decoupling**

Subdivision 1 of that section defines decoupling as:

a regulatory tool designed to separate a utility's revenue from changes in energy sales. The purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency.

In other words, decoupling is intended to make a regulated utility indifferent to the risk of lost revenues resulting from fewer energy sales due to customer or utility investments in cost effective energy efficiency and other resources that reduce total customer energy consumption.

### **Statutory Requirements - Decoupling Program Criteria and Pilot Programs**

Subdivisions 2 and 3 of that section go on to provide the following:

Subd. 2. Decoupling criteria. The commission shall, by order, establish criteria and standards for decoupling. The commission may establish these criteria and standards in a separate proceeding or in a general rate case or other proceeding in which it approves a pilot program, and shall design the criteria and standards to mitigate the impact on public utilities of the energy-savings goals under section 216B.241 without adversely affecting utility ratepayers. In designing the criteria, the commission shall consider energy efficiency, weather, and cost of capital, among other factors.

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.

## **2018 Decoupling-related Activity and Commission Actions**

### **Introduction**

In response to the statutory requirement and after several stakeholder workshops and rounds of written comments, on June 19, 2009, the Commission issued its Order Establishing Criteria and Standards to be Utilized in Pilot Proposals for Revenue Decoupling.<sup>1</sup>

CenterPoint Energy implemented the first pilot decoupling program. Minnesota Energy Resources (MERC), Great Plains Natural Gas, and Xcel Electric all have decoupling programs. The Commission has not required a pilot decoupling program for Minnesota Power or Otter Tail Power.

### **CenterPoint Energy<sup>2</sup>**

On June 9, 2014, the Commission issued its Findings of Fact, Conclusions of Law, and Order (2014 CenterPoint Order) in CenterPoint Energy's 2013 General Rate Case.<sup>3</sup> The 2014 CenterPoint Order authorized a three-year, full-decoupling pilot program beginning on July 1, 2015 that encompassed all customer classes except for market-rate customers, and required CenterPoint to file an annual evaluation report.

### **CenterPoint Energy's 2017 Decoupling Evaluation Report – Docket 13-316**

On February 8, 2018, the Commission met to consider CenterPoint's 2017 Decoupling Evaluation Report. On February 15, 2018, the Commission's Order approving the 2017 Report and its related decoupling adjustments was issued in this matter.

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<sup>1</sup> Docket E, G-999/CI-08-132.

<sup>2</sup> CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy or CenterPoint)

<sup>3</sup> Docket G-008/GR-13-316

## **CenterPoint Energy's 2017 Rate Case – Docket 17-285**

In CenterPoint's July 3, 2017 initial filing in its most recent rate case, CenterPoint requested to make decoupling a permanent fixture in its tariff. During that proceeding, no party objected to the request; however, the Clean Energy Organizations (CEO) objected to the formula used to calculate CenterPoint's decoupling adjustment amount. Included in the rate case's settlement was the agreement to adopt the CEO's revised formula in which the adjustment amount would be derived by using the actual number of monthly customers in each class. Previously CenterPoint used the greater of the actual customers during the evaluation period or the approved customers used to determine final rates in their last rate case. The Commission's Order accepting the settlement was issued on July 20, 2018.

## **CenterPoint Energy's 2018 Decoupling Evaluation Report – Docket 18-574**

On September 4, 2018, CenterPoint submitted its third annual report for the evaluation period of July 1, 2017 through June 30, 2018. In the report, the Company stated that, as a result of higher than anticipated consumption, it over-collected \$13,400,002 during the reporting period. Additionally, since revenue decoupling mechanism (RDM) recoveries are volumetric, the Company had a \$404,507 over-recovery of the previous year's RDM. Thus the total amount to be refunded in the upcoming year is \$13,804,509. None of the decoupled customer classes were subject to the 10% decoupling surcharge cap. A summary of amounts to be recovered, by customer class, is provided in Table 1:

**Table 1 - Decoupling Adjustment Balance through June 30, 2018**

Customer Class	Decoupling Adjustment Balance through June 30, 2018	Prior Period Balance	Adjusted Balance
Residential	(\$7,696,177)	(\$777,177)	(\$8,473,354)
Commercial A	(\$525,740)	(\$63,764)	(\$589,504)
Commercial & Industrial B	(\$611,581)	(\$53,033)	(\$664,614)
Commercial & Industrial C	(\$3,584,070)	(\$247,752)	(\$3,831,822)
SVDF A	(\$457,050)	\$421,470	(\$35,581)
SVDF B	(\$54,001)	\$73,211	\$19,210
LVDF	(\$416,452)	(\$15,863)	(\$432,315)
Large Volume General Firm	(\$54,931)	\$258,402	\$203,471
Total	(\$13,400,002)	(\$404,507)	(\$13,804,509)

As shown in Tables 2 and 3, the Department of Commerce (Department) noted that, when compared to the 2007-2009 pre-decoupling period, CenterPoint's 2017 lifetime energy savings were 205% higher and Conservation Improvement Program (CIP) expenditures were 258% higher.

**Table 2 - CenterPoint Historical First-Year CIP Energy Savings<sup>4</sup> (Dth) for Residential, Low-Income Residential, and Commercial and Industrial Customer Classes**

Year/Period	Residential	Low-Income	Commercial and Industrial	Overall Program
2007-09 Average	203,100	16,199	644,424	863,723
2010	267,137	15,243	1,017,848	1,300,228
2011	467,107	14,693	1,004,431	1,486,231
2012	496,194	13,510	820,814	1,330,518
2013	515,946	17,075	1,037,790	1,570,810
2014	648,482	21,986	1,031,248	1,701,716
2015	682,540	36,937	1,132,452	1,851,930
2016	671,984	14,250	1,312,399	2,006,014
2017	554,411	32,397	2,045,737	2,632,546
2017 Percent Change from 2007-2009 Average	173%	100%	217%	205%

**Table 3 – Comparison, CenterPoint’s 2017 CIP Expenditures vs. Average of Pre-Decoupling (2007-2009) CIP Expenditures**

Year/Period	Residential	Low-Income	Commercial and Industrial	Other Projects	Overall Program
2007-09 Average	\$2,731,997	\$1,787,613	\$3,722,836	\$444,749	\$8,687,195
2010	\$7,861,852	\$2,121,325	\$5,886,263	\$705,297	\$16,574,737
2011	\$10,715,062	\$1,867,663	\$5,360,144	\$771,054	\$18,713,923
2012	\$10,801,865	\$1,977,250	\$5,278,953	\$1,033,732	\$19,091,800
2013	\$12,868,507	\$2,915,754	\$5,875,196	\$1,170,253	\$22,829,710
2014	\$14,054,870	\$2,207,285	\$6,314,013	\$1,125,353	\$23,701,520
2015	\$15,397,531	\$2,665,523	\$6,833,760	\$996,804	\$25,893,618
2016	\$17,546,421	\$2,701,799	\$7,873,273	\$1,107,040	\$29,228,533
2017	\$15,811,617	\$3,429,092	\$10,619,783	\$1,279,602	\$31,140,094
2017 Percent Change from 2007-2009 Average	479%	92%	185%	188%	258%

<sup>4</sup> Energy savings presented both as first-year energy savings refer to the amount of energy savings that would result from the energy conservation technologies and processes during the first 12 months after implementation. Lifetime energy savings refer to energy savings expected during the lifetime of each of the energy conservation measures and processes. [DOC, comments, p. 5]

As summarized in Table 4, CenterPoint's energy savings, as a percent of 20-year weather-normalized retail sales, increased from 0.54% in 2007 to 1.83% in 2017.<sup>5</sup>

**Table 4 – CenterPoint's CIP Energy Savings as a Percent of Weather-Normalized Sales**

CIP Plan Period	Year	Applicable Three-Year Average 20-Year Weather Normalized Sales (Dth)	Annual Energy Savings (Dth)	Energy Savings as a Percent of Sales
2007-2008 Biennial Period	2007	154,110,813	825,030	0.54%
	2008	154,110,813	827,340	0.54%
Extension of 2007-2008 Biennial	2009	154,110,813	938,798	0.61%
2010-2012 Triennial Period	2010	150,775,872	1,300,228	0.86%
	2011	150,775,872	1,486,231	0.99%
	2012	150,775,872	1,330,518	0.88%
2013-2015 Triennial Period	2013	139,161,784	1,570,810	1.13%
	2014	139,161,784	1,701,716	1.22%
	2015	139,161,784	1,851,930	1.33%
Extension of 2013-2015 Triennial	2016	139,161,784	2,006,014	1.44%
2017-2019 Triennial Period	2017	143,628,146	2,632,546	1.83%

The Department, as in previous years, attributed CenterPoint's energy savings to the following factors:

- the level of first-year energy savings;
- the different lifetimes of the mix of energy savings achieved each year (for example, large commercial and industrial projects generally have longer lifetimes; even if CPE achieved the same first-time energy savings in two years, the lifetime energy savings for CIP achievements can be higher if there is a higher concentration of longer term projects in the portfolio of CIP projects); and
- changes in lifetime assumptions between triennial CIPs (e.g., the assumed lifetime for behavioral change projects is lower now than when these programs were first introduced).

The Department noted that the third factor makes it difficult to compare changes in lifetime energy savings between triennial CIPs; however, based on the assumptions used at the time for each CIP triennial, CenterPoint's 2017 lifetime energy savings were 205% higher than the Company's 2007-2009 energy savings.

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<sup>5</sup> The Department noted that, if 10-year weather normal is used, then 2016 energy savings would be 1.87%.

To put CenterPoint's savings in context, the Company's average residential customer annually uses approximately 89 Dekatherms (Dth). In 2017, CPE's lifetime energy savings were 38.8 million Dth, which is enough energy to provide natural gas service to more than 436,000 residential customers for a year.

On January 9, 2019, the Commission met to consider CenterPoint's 2018 Decoupling Evaluation Report and accepted the Department's recommendation to approve the 2018 Report and its related decoupling adjustments. The Commission's Order in this matter was issued on January 14, 2019.

### **Minnesota Energy Resources Corporation (MERC)**

On July 13, 2012, the Commission issued its Findings of Fact, Conclusions of Law, and Order (MERC Order) in MERC's 2010 general rate case.<sup>6</sup> As part of the MERC Order, the Commission authorized a three year pilot "full" revenue decoupling mechanism (RDM) that encompassed the Residential and the Small Commercial and Industrial customer classes. In conjunction with the implementation of rates authorized as a result of the 2010 rate case, MERC's revenue decoupling pilot program became effective on January 1, 2013.

MERC's pilot revenue decoupling program was scheduled to run through December 31, 2015; however, the pilot has been extended several times. The most recent extension extends the pilot through the end of 2019 and was granted at the conclusion of MERC's 2015 rate case<sup>7</sup> in the Commission's October 31, 2016 Order.

### **MERC's 2017 Decoupling Evaluation Report – Dockets 10-977, 15-736 and 17-563**

The Commission's approval of MERC's RDM included the requirement that MERC file an annual Revenue Decoupling Evaluation. On March 1, 2018 MERC filed its Annual Adjustment Calculation and, on May 1, 2018, MERC filed its fifth annual Evaluation, encompassing the period of January 1 to December 31, 2017.

As shown in Table 5, the 2017 RDM adjustment calculation resulted in surcharges to both classes subject to decoupling - Residential customers' total surcharge was \$2,164,098.54 and Small Commercial & Industrial customers' was \$151,346.88. Since the Company recovers surcharges/refunds on a volumetric basis, a true up of the previous year's adjustment is necessary to make the Company and ratepayers "whole"; therefore, the coming year's adjustment will include 2015 true-up refunds for both classes. Residential customers' 2014 true-up refund is \$793,687.75 and Small Commercial & Industrial customers' is \$59,022.26. Post 2015 true-up, net surcharges will be \$2,957,786.29 and \$210,369.14, respectively.

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<sup>6</sup> Docket No. G-011/GR-10-977.

<sup>7</sup> Docket No. G-011/GR-15-736.

**Table 5: MERC Revenue Decoupling Mechanism Adjustment Calculation  
for Rates Effective March 1, 2018**

	Residential	Small C&I
2017 RDM Surcharge/(Refund)	\$ 2,164,098.54	\$ 151,346.88
2015 Reconciliation Adjustment	\$ 793,687.75	\$ 59,022.26
Total Surcharge/(Refund)	\$ 2,957,786.29	\$ 210,369.14

Additionally, as shown in Table 6, MERC provided the summary of estimated rate and bill impacts from the proposed RDM factors.

**Table 6: Estimated Rate and Bill Impacts from  
Proposed RDM Factors Effective March 1, 2018**

Customer Class	RDM per Therm Surcharge	Average Usage	Monthly Bill Impact of RDM Surcharge	Annual Estimated Bill Impact
Residential	\$0.01643	818	\$1.12	\$13.44
Small C&I	\$0.01774	948	\$1.40	\$16.82

In its analysis, the Department pointed out that, as shown in Table 7, 2017 residential energy savings were 158,514 Dth, or 84% percent of the pre-decoupling average of 189,703 Dth. However, when comparing the residential averages, the post-decoupling savings of 193,649 Dth is 2% higher than the pre-decoupling average of 189,703 Dth. Based on these averages, the Department concluded that MERC has met the Commission's 1.5% savings goal.

**Table 7: Comparing Pre-Decoupling to Post-Decoupling  
Energy Savings by Decoupled Customer Classes**

Year	Total Residential <sup>8</sup>	Total C&I	Small C&I
2010	179,590	203,060	N/A
2011	203,571	210,022	N/A
2012	185,948	294,842	N/A
Pre-Decoupling Average (2013-2017)	189,703	235,975	N/A
2013	208,071	205,542	N/A
2014	180,137	180,792	N/A
2015	209,604	275,664	N/A
2016	211,918	238,173	13,523
2017	158,514	226,344	5,874
Post-Decoupling Average (2013-2017)	193,649	225,303	9,699

The Department recommended approval of MERC's 2017 Annual Decoupling Evaluation Report

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<sup>8</sup> Per DOC: Residential first-year energy savings were modified to reflect the Department's Average Savings methodology for measuring behavioral project energy savings.

and its resulting RDM adjustments.

At its January 31, 2019 agenda meeting, the Commission approved MERC's 2017 Decoupling Report and its related RDM adjustment factors.<sup>9</sup> On February 6, 2019, the Commission's Order in this matter was issued.

## Xcel Energy - Electric

On May 8, 2015, the Commission issued its Findings of Fact, Conclusions of Law, and Order in Xcel's 2013 General Rate Case<sup>10</sup>. As part of the Order, the Commission authorized, effective January 1, 2016, a three year pilot "full" revenue decoupling mechanism (RDM) that applies to the Residential, Residential with Space Heating and Small Commercial and Industrial (Non-Demand) Classes.<sup>11</sup>

### Xcel's 2016 Decoupling Evaluation Report – Dockets 13-868 and 15-826

On February 8, 2018, the Commission met to consider Xcel's 2016 Decoupling Evaluation Report and accepted the Department's recommendation to approve the 2016 Report and its related decoupling adjustments. On February 15, 2018, the Commission's Order in this matter was issued.

### Xcel's 2017 Decoupling Evaluation Report – Dockets 13-868 and 15-826

The Commission's approval of Xcel's RDM required the Company to file an annual Revenue Decoupling Evaluation. On February 1, 2018, Xcel filed its second annual Evaluation, encompassing the period of January 1 to December 31, 2017.

Due to a cooler than normal summer, Xcel's 2017 RDM total adjustment, when compared to the 2016 baseline, was a \$27.5 million revenue shortfall.<sup>12</sup> As a result, all three decoupled classes will have surcharges reflected in their bills. For the second consecutive year, the Residential with Space Heating class was capped at 3%, thereby reducing the surcharge amount by \$0.4 million. Table 8 summarizes the RDM's total impact by class and the monthly impact to each class' average ratepayer.

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<sup>9</sup> Commission Order is now pending.

<sup>10</sup> Docket No. E-002/GR-13-868

<sup>11</sup> To synchronize with rates approved in Xcel's 2015 General Rate Case (Docket No. E-002/GR-15-826) the three year pilot was extended for a fourth year. The RDM is now scheduled to run through December 31, 2019.

<sup>12</sup> For Xcel, a cooler than normal summer weather results in *less* electricity sales.

**Table 8: Xcel's 2017 RDM Calculation and Average Ratepayer Impact**

	(\$ Millions)			Avg. Monthly Customer Surcharge/ (Refund)	RDM Rate (\$/kWh) April 2018 – March 2019
	Total RDM Surcharge/ (Refund)	Estimated Surcharge Cap	2017 Class Impact		
Residential	\$25.0	\$26.2	\$25.0	\$1.87	\$0.003064
Residential with Space Heating	\$1.3	\$0.9	\$0.9	\$2.19	\$0.002361
Small Commercial Non-Demand	\$1.1	\$2.5	\$1.1	\$1.06	\$0.001245
Total	\$27.5		\$27.1		

As shown in Table 9 and Figure 1, when compared to its 2013-2015 average and its 2016 total, Xcel's 2017 total energy savings were, respectively, 34% higher and 19% higher.

**Table 9: Xcel's 2017 CIP Achievements Compared to  
Pre-Decoupling (2013-2015) CIP Achievements (in kWh)<sup>13</sup>**

	Business	Residential	Total
2013	326,172,990	167,072,321	493,245,311
2014	342,313,567	136,265,278	478,578,845
2015	326,406,491	173,987,045	500,393,536
2013-2015 Average	331,631,016	159,108,215	490,739,231
2016	359,412,589	191,286,634	550,699,223
2017	463,172,254	192,898,330	656,070,584
2017 % Difference from Average	40%	21%	34%
2017 % Difference from 2016 <sup>14</sup>	29%	1%	19%

Based on Xcel's results, the Department recommended approval of Xcel's 2017 Annual Decoupling Evaluation Report and its resulting RDM adjustments.

At its January 31, 2019 agenda meeting, the Commission accepted Xcel's 2017 Decoupling Report and approved the related RDM adjustment factors.<sup>15</sup> On February 6, 2019, the Commission's Order in this matter was issued.

<sup>13</sup> Source: Docket E-002/GR-15-826 Minnesota Department of Commerce – Corrected Comments, Page 7, Table 3, April 4, 2018.

<sup>14</sup> Department's Table 3 label showed "2017 % Difference from 2015" but percentages reflect comparison of 2017 to 2016, the subsequent analysis reflects correct numbers and percent's.

<sup>15</sup> Commission Order is now pending.

## **Great Plains Natural Gas Company**

On September 6, 2016, the Commission issued its Findings of Fact, Conclusions of Law, and Order in Great Plains' 2015 General Rate Case. In this Order, the Commission authorized, effective January 1, 2017, a three year pilot "full" revenue decoupling mechanism (RDM) that, except for Flexible Rate customers and one Large Interruptible customer, applies to all customers. The Commission's approval of Great Plains' RDM requires the Company to file an annual Revenue Decoupling Evaluation.

### **Great Plains' 2017 Decoupling Evaluation Report – Docket 15-879**

On December 1, 2017, Great Plains filed its initial evaluation report encompassing the period of October 1, 2016 to September 30, 2017. On April 6, 2018, the Department filed comments challenging the Company's authority to begin its RDM on October 1, 2016. The Department argued that, consistent with the Commission's December 22, 2016 Order in the rate case, Great Plains was to begin its RDM concurrently with the January 1, 2017 implementation of final rates. At its December 20, 2018 agenda meeting, the Commission agreed with the Department.<sup>16</sup> Based on that decision, the information presented in this report is based on the revised initial evaluation period of January 1, 2017 to December 31, 2017.

As reflected on Table 10, Great Plains' Decoupling Adjustments for the revised period totaled \$128,155.

**Table 10 - Revised Great Plains 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	\$146,009	\$0	\$146,009
Small Interruptible - N71 & N81	\$29,511	\$0	\$29,511
Small Interruptible - S71 & S81	(\$17,715)	\$0	(\$17,715)
Large Interruptible - N85 & N82	(\$61,255)	\$0	(\$61,255)
Large Interruptible - S85 & S82	(\$301,310)	\$0	(\$301,310)
Total Under / (Over) Collection	\$128,155	\$0	\$128,155

Regarding energy conservation, Great Plains stated that, since this is the Company's 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. Since the 2013-

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<sup>16</sup> On February 7, 2019, the Commission issued its Order Accepting Decoupling Report as Modified, and Providing Instructions for Future Reports

2015 CIP Triennial period plus the 2016 extension have been defined as the pre-decoupling baseline period; in the Company's second decoupling evaluation report, 2017 CIP energy savings and expenditures will be compared to the pre-decoupling period (2013-2016) averages.

### **Great Plains' 2018 Decoupling Evaluation Report – Docket 15-879**

On December 3, 2018, Great Plains filed its 2018 Decoupling Evaluation Report; however, that Report encompassed the period of October 1, 2017 to September 30, 2018. As part of the February 9, 2019 Order issued following the December 20, 2018 Commission meeting, the Company was instructed to refile its 2018 Report to reflect an evaluation period of January 1, 2018 to December 31, 2018. The revised 2018 Report is due on March 1, 2019.

### **Otter Tail Power Company – Docket No. 15-1033**

In Otter Tail's 2015 rate case, Fresh Energy recommended that the Company be required to implement revenue decoupling. The Commission found that there was not a sufficient showing in the record that the specific situation of Otter Tail warranted implementation of decoupling at that time. Instead, the Commission directed Otter Tail to research alternative rate designs in consultation with stakeholders, and submit a report on the potential customer impacts of revenue decoupling for its Residential, Farm, and Small General Service rate classes.

On March 30, 2018, Otter Tail Power (Otter Tail, OTP) filed a report (Report) analyzing possible customer impacts for the Residential, Farm, and Small General Service rate classes if the Company were to implement an RDM program.

Otter Tail explained that, for its Report, it selected the five companies that most closely resembled OTP in either business operations or the state where they conducted business. The five companies and the lessons learned from them were:

- Idaho Power Company – prior to decoupling, rate design was shifting the recovery of fixed costs into volume-based rates and subsequently it became very difficult to recover costs from the irrigation class. After designing a decoupling mechanism, Idaho Power worked with the various stakeholders to implement the fixed cost adjustment (FCA) decoupling method and proved through the pilot period that it was a viable rate setting tool.
- Portland General Electric (PGE) – PGE initiated a decoupling mechanism in 1995; however, in 2002, the Oregon PUC rejected PGE's request to extend the program. In 2009, PGE's request to restart decoupling was granted. OTP leaned the importance of having all stakeholders in agreement on the purpose, process and implementation of the chosen decoupling mechanism. Without it, successful decoupling implementation is much harder.

- Northern States Power Company – Minnesota (Xcel Energy) – Otter Tail learned that the accuracy of Xcel’s test year billing determinants allow the company to stay within the permitted recovery bandwidth.
- CenterPoint Energy – CenterPoint initially had a partial decoupling pilot and currently has a full decoupling one. OTP learned that the decoupling type that is chosen and implemented is crucial to the program’s success. The form of the decoupling mechanism must match company and customer parameters to provide the maximum benefits
- Minnesota Energy Resources Corporation – Otter Tail drew no conclusions about the efficacy of MERC’s decoupling mechanism other than it must have been well thought out and capably implemented because there did not appear to be objections or protests registered.

Otter Tail used its 2009-2017 actual results to run hypothetical decoupling models for those years. Those decoupling results revealed the following:

- For the Residential and Farm classes, the maximum (capped) surcharge would have been applied in all years except for 2013 and 2014.
- For the General Service and Small General Service classes, the maximum surcharge would have been applied in all years except for 2014 and 2017.

In its comments, the Department of Commerce recommended that the Commission accept Otter Tail’s Decoupling Report. Additionally, based on Otter Tail’s already high energy savings and the Company’s reservations about decoupling at this time, the Department recommended that Otter Tail not be required to implement revenue decoupling. Fresh Energy, however, recommended that Otter Tail be required to propose a revenue decoupling mechanism in its next rate case.

The Commission meeting on this matter is scheduled for March 5, 2019.

### **Minnesota Power – Docket No. 16-664**

In Minnesota Power’s 2016 rate case, Fresh Energy recommended that the Company be required to implement revenue decoupling. The proposed decoupling plan would only have applied to the Residential and General Service classes. Considering that the majority of the Minnesota Power’s sales come from other classes, the Commission concluded that it is unlikely that the proposal’s benefits would outweigh its costs. Additionally, the Commission stated that large commercial and industrial customers’ efforts to independently achieve energy conservation had not been fully evaluated.

In its March 12, 2018 Order, the Commission did not require that Minnesota Power implement a decoupling program.