

m MINNESOTA
PUBLIC UTILITIES COMMISSION

January 15, 2020

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Subject: Annual Submission of Decoupling and Decoupling Pilot Programs
under Minn. Stat. § 216B.2412, subdivision 3

Dear Senators and Representatives:

Minn. Stat. § 216B.2412, subdivision 3 requires the Minnesota Public Utilities Commission to report annually to the Minnesota Legislature on decoupling and decoupling pilot programs.

The Commission has enclosed its report for 2019.

Please let me know if I can provide further assistance.

Sincerely,


Ryan Barlow
Acting Executive Secretary

Equal Opportunity Employer



**Report on Decoupling and Decoupling Pilot
Programs under Minnesota Statutes,
Section 216B.2412**

January 15, 2020

Required General Legislative Report Information

Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147
mn.gov/puc

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.

To request this document in another format such as large print or audio, call 651.296.0406 (voice). Persons with a hearing or speech impairment may call using their preferred Telecommunications Relay Service or email consumer.puc@state.mn.us for assistance.

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 provide for 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.

2019 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.¹

CenterPoint Energy implemented the first pilot decoupling program. Minnesota Energy Resources (MERC), Great Plains Natural Gas Co. (Great Plains) and Xcel Electric also have decoupling programs.

Xcel Gas, Great Minnesota Gas, and Minnesota Power have not proposed, and the Commission has not required them to offer, a pilot decoupling program. Otter Tail Power, however, is required include a proposal for pilot decoupling in its next application for general increase in rates.

CenterPoint Energy²

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.³ 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. The pilot has subsequently been extended, most recently in CenterPoint's 2017 Rate Case.⁴

CenterPoint Energy's 2019 Decoupling Evaluation Report – Docket 19-558

On September 3, 2019, CenterPoint submitted its fourth annual report for the evaluation period of July 1, 2018 through June 30, 2019. In the report, the Company stated that, as a result of higher than anticipated consumption, it over-collected \$20,627,435 during the reporting period. Additionally, since revenue decoupling mechanism (RDM) recoveries are

¹ Docket E, G-999/CI-08-132.

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

³ Docket G-008/GR-13-316.

⁴ Docket G-008/GR-17-285.

volumetric, the Company over-refunded the previous year’s adjustment by \$1,723,045. Thus, the net amount to be refunded in the upcoming year is \$18,904,390. None of the decoupled customer classes were subject to the 10% cap on decoupling surcharges. A summary of amounts to be recovered, by customer class, is provided in Table 1:

Table 1 - Decoupling Adjustment Balance through June 30, 2019

Customer Class	Decoupling Adjustment Balance through June 30, 2018	Adjustment Made to Reflect 10% Cap	Prior Period Balance	Adjusted Balance
Residential	(\$13,774,109)		\$924,958	(\$12,849,151)
Commercial A	(\$358,662)		\$13,439	(\$345,223)
Commercial & Industrial B	(\$676,681)		\$92,531	(\$584,150)
Commercial & Industrial C	(\$4,954,043)		\$702,761	(\$4,251,282)
SVDF A	(\$776,992)		\$3,539	(\$773,453)
SVDF B	(\$353,711)		\$4,963	(\$348,748)
LVDF	\$365,444		\$16,634	\$382,078
Large Volume General Firm	(\$98,681)		(\$35,779)	(\$134,460)
Total	(\$20,627,435)	\$0	\$1,723,045	(\$18,904,390)

As shown in Tables 2 and 3, and according to the Department of Commerce (Department), when compared to the 2007-2009 pre-decoupling period, CenterPoint’s 2018 lifetime energy savings were 129% higher and its Conservation Improvement Program (CIP) expenditures were 302% higher.

Table 2 - CenterPoint First-Year CIP Energy Savings⁵ (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
2018	680,478	28,919	1,271,137	1,980,534
2018 Percent Change from 2007-2009 Average	235%	79%	97%	129%

⁵ Energy savings presented as first-year energy savings refers 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 refers to energy savings expected during the lifetime of each of the energy conservation measures and processes that were implemented. [DOC, comments, p. 5, Docket 19-558]

Table 3 – Comparison, CenterPoint’s 2018 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
2018	\$19,318,054	\$3,792,484	\$9,336,812	\$2,440,970	\$34,888,321
2018 Percent Change from 2007-2009 Average	607%	112%	151%	449%	302%

As summarized in Table 4, CenterPoint’s annual energy savings, as a percent of 20-year weather-normalized retail sales, increased from 0.54% in 2007 to 1.38% in 2018.⁶

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)	Annual 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%
2017-2019 Triennial Period	2017	143,628,146	2,632,546	1.83%
	2018	143,628,146	1,980,534	1.38%

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 projects and energy savings achieved each year (for example, large commercial and industrial projects generally have longer lifetimes; even if CenterPoint 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 2018 lifetime energy savings were 106% higher than the Company’s 2007-2009 energy savings.

⁶ 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 25.0 million Dth, or enough energy to provide natural gas service to more than 281,500 residential customers for a year.

Finally, the Department stated that its analysis of revenue decoupling programs and the annual revenue decoupling evaluation reports has focused on CIP energy savings achievements. Since no other party has been commenting on other parts of the evaluation reports, the Department proposed consulting with the utilities that have decoupling and Commission Staff to see if there is an agreement on whether there are parts of the evaluation reports that can be eliminated or streamlined, and if so, present proposed reporting requirement modifications for the Commission to consider.

On January 9, 2020, the Commission met to consider CenterPoint’s 2019 Decoupling Evaluation Report and voted to accept the Department’s recommendation to approve the 2019 Report and its related decoupling adjustments. Additionally, the Commission voted to require CenterPoint to work with the Department and other stakeholders on the development of a more streamlined Annual Evaluation Report and to submit a compliance filing detailing proposed changes by July 31, 2020. The Commission’s Order in this matter is pending.

CenterPoint Energy’s 2019 Rate Case – Docket 19-524

In the October 28, 2019 initial application in its most recent rate case, CenterPoint has indicated that it intends to continue its revenue decoupling program.

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.⁷ 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. MERC’s revenue decoupling pilot program became effective on January 1, 2013 with the implementation of rates authorized as a result of the 2010 rate case.

MERC’s pilot revenue decoupling program was initially authorized to run through December 31, 2015; however, the pilot has been extended several times, most recently through December 31, 2022.⁸ In the most recent extension, MERC was authorized to, effective January 1, 2019, remove the Small Commercial and Industrial customer classes from the pilot and was ordered to include, in the initial filing of its next rate case, an updated impact analysis regarding the extension of the pilot to all customer classes with 50 or more customers.

⁷ Docket No. G-011/GR-10-977.

⁸ Docket No. G-011/GR-17-563.

MERC's 2018 Decoupling Evaluation Report – Docket 19-201

On March 1, 2019 MERC submitted its Annual Adjustment Calculation and, on May 1, 2019, MERC submitted its sixth Annual Evaluation, encompassing the period of January 1 to December 31, 2018.

As shown in Table 5, the 2018 RDM adjustment calculation resulted in a \$3,152,862 refund for the Residential Class and a \$42,301 surcharge for Small Commercial & Industrial customers. 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 2016 true-ups for both classes. Residential customers will receive a 2016 true-up refund of \$90,177; whereas, Small Commercial & Industrial customers will get a \$25,025 surcharge. Post 2016 true-up, Residential customers' refund will be \$3,243,039 and Small Commercial & Industrial customers' surcharge will be \$67,326...

**Table 5: MERC Revenue Decoupling Mechanism Adjustment Calculation
for Rates Effective March 1, 2019**

	Residential	Small C&I
2018 RDM Surcharge/(Refund)	(\$3,152,862)	\$42,301
2016 Reconciliation Adjustment	(\$90,177)	\$25,025
Total Surcharge/(Refund)	(\$3,243,039)	\$67,326

As shown in Table 6, the average monthly refund for Residential customers will be \$15.42 and the average monthly surcharge for Small Commercial & Industrial customers will be \$7.40.

**Table 6: Estimated Rate and Bill Impacts from
Proposed RDM Factors Effective March 1, 2019**

Customer Class	RDM per Therm Surcharge	Average Usage	Monthly Bill Impact of RDM Surcharge	Annual Estimated Bill Impact
Residential	(\$0.01765)	874	(\$1.28)	(\$15.42)
Small C&I	\$0.00741	999	\$0.62	\$7.40

As shown in Table 7, the 2018 first-year Residential energy savings of 187,645 Dth was slightly lower than the 189,703 Dth pre-decoupling average. However, the average of annual Residential post-decoupling savings of 192,648 Dth was 3.6% higher than the pre-decoupling average of 189,703 Dth.

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

Year	Total Residential⁹ (Dth)	Total C&I (Dth)
2010	179,590	203,060
2011	203,571	210,022
2012	185,948	294,842
Pre-Decoupling Average (2010-2012)	189,703	235,975
2013	208,071	205,542
2014	180,137	180,792
2015	209,604	275,664
2016	211,918	238,173
2017	158,514	226,344
2018	187,645	322,113
Post-Decoupling Average (2013-2018)	192,648	241,438

As a result of its analysis, the Department concluded that it “does not believe that it is possible to determine the exact causes of why a utility’s energy savings increase or decrease”. The Company’s average post-decoupling Residential energy savings of 192,648 dekatherms was slightly higher than its pre-decoupling energy savings of 189,703 dekatherms. Accordingly, the Department does not “believe that an evaluation of MERC’s CIP lends conclusive support for continuing or discontinuing the Residential RDM”.

The Department recommended that the proposed 2019/2020 RDM adjustments shown in Table 6 be approved and that MERC’s 2018 Annual Decoupling Evaluation Report be accepted. Similar to its recommendation for CenterPoint, the Department proposed consulting with the utilities that have decoupling and Commission Staff to see if there is an agreement on whether there are parts of the evaluation reports that can be eliminated.

On November 22, 2019, the Commission met to consider MERC’s 2018 Decoupling Evaluation Report and voted to accept the Department’s recommendation to approve the 2018 Report and its related decoupling adjustments. Additionally, the Commission voted to require MERC to work with the Department and other stakeholders on the development of a more streamlined Annual Evaluation Report and to submit a compliance filing detailing proposed changes by July 31, 2020. The Commission’s issued its Order in this matter on December 5, 2019.

⁹ Per DOC: Residential first-year energy savings were modified to reflect the Department’s Average Savings methodology for measuring behavioral project energy savings.

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.¹⁰ 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. To synchronize the decoupling pilot with Xcel's Multi-Year Rate Plan, the pilot was extended for an additional year through December 31, 2019 so that the RDM ends at the same time as the multi-year rate plan.¹¹

Xcel's 2019 Decoupling Evaluation Report – Docket 19-127

The Commission's approval of Xcel's RDM required the Company to file an annual Revenue Decoupling Evaluation. On February 1, 2019, Xcel filed its third annual Evaluation, encompassing the period of January 1 to December 31, 2018.

Due to a warmer than normal summer, Xcel's 2018 RDM total adjustment, when compared to the 2016 baseline, was a \$13.0 million higher.¹² As previously mentioned, RDM recoveries are volumetric which require an annual true-up of the previous year's decoupling adjustments. For Xcel, the adjustment for the previous year's true-up is \$0.8 million. Thus, customers in decoupled rate classes will receive combined refunds totaling \$13.8 million. A summary of amounts to be recovered, by customer class, and the average ratepayer impact is provided in Table 8.

¹⁰ Docket No. E-002/GR-13-868.

¹¹ Commission June 12, 2017 Order, Docket No. E-002/GR-15-826.

¹² For Xcel, a warmer than normal summer weather results in *more* electricity sales.

Table 8: Xcel’s 2018 RDM Calculation and Average Ratepayer Impact

RDM Class	(\$ Millions)				Avg. Monthly Customer Surcharge/ (Refund)	RDM Rate (\$/kWh) April 2019 – March 2020
	Total RDM Surcharge/ (Refund)	Carry-Over Balance ¹³	Estimated Surcharge Cap	2018 Class Impact ¹⁴		
Residential	(\$12.5)	(\$0.7)	\$26.2	(\$13.2)	(\$0.98) ¹⁵	(\$0.001625)
Residential with Space Heating	(\$0.3)	(\$0.1)	\$0.9	(\$0.4)	(\$0.99) ¹⁶	(\$0.001056)
Small Commercial Non-Demand	(\$0.2)	(0.0)	\$2.5	(\$0.2)	(0.18) ¹⁷	(\$0.000213)
Total	(\$13.0)	(\$0.8)		(\$13.8)		

As shown in Table 9, Xcel’s 2018 business segment energy savings were 3% higher than its 2017 savings and 44% higher than its base 2013-2015 average.¹⁸ The Residential Class’ 2018 savings were 5% higher than its 2017 savings and 27% higher than its base 2013-2015 average. Total 2018 energy savings were 4% higher than 2017 savings and 39% higher than the base 2013-2015 average.

Table 9: Xcel’s 2018 CIP Achieved Energy Savings Compared to Pre-Decoupling (2013-2015) CIP Achievements (in kWh)¹⁹

	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
2018	478,637,852	201,810,597	680,448,449
2018 % Difference from 2013-2015 Average	44%	27%	39%
2018 % Difference from 2017	3%	5%	4%

Based on Xcel’s results, the Department recommended approval of Xcel’s 2018 Annual Decoupling Evaluation Report and its resulting RDM adjustments.

¹³ Carry-over (over/under-collection) balance from 2017 decoupling deferrals.

¹⁴ Includes the Total RDM credit and carry-over balance.

¹⁵ Based on average usage per customer of 604 kWh per month.

¹⁶ Based on average usage per customer of 935 kWh per month.

¹⁷ Based on average usage per customer of 838 kWh per month.

¹⁸ Because Xcel did not provide separate CIP achievements for its non-demand-metered Small General Service customers, this comparison is only for the larger Business segment group.

¹⁹ Source: Docket E-002/M-19-127 Minnesota Department of Commerce – Comments, Page 7, Table 5, April 2, 2019.

At its June 6, 2019 agenda meeting, the Commission voted to accept Xcel’s 2018 Decoupling Report, approve the related RDM adjustment factors and allow the pilot program to lapse on December 31, 2019. On June 25, 2019, the Commission issued its ORDER ACCEPTING ANNUAL REPORT AND APPROVING REVENUE DECOUPLING RATE ADJUSTMENT FACTORS in this matter.

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.²⁰ 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 Great Plains’ customers. The Commission’s approval of Great Plains’ RDM requires the Company to file an annual Revenue Decoupling Evaluation.

Great Plains’ 2018 Decoupling Evaluation Report – Docket 19-198

On March 1, 2019, Great Plains filed its second annual Evaluation, encompassing the period of January 1 to December 31, 2018.

For the year, Great Plains over-collected and will refund \$328,907. Additionally, the previous year’s true-up resulted in an extra \$520,429 to be refunded. Finally, an adjustment for the impact of a previously omitted customer further increased the amount to be refunded by \$54,456. In total, decoupled classes will receive aggregate refunds totaling \$903,612. Table 10 summarizes all refunds, by class.

Table 10 - Great Plains 2018 Decoupling Adjustments

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

²⁰ Docket G-004/GR-15-879.

As shown in Table 11, according to the Department, 2015 had the highest level of Custom Projects and that Custom Projects have been highly variable with a large impact on annual savings. Great Plains' energy savings have not improved since the implementation of the RDM pilot. When Custom Projects are removed, overall savings have gone down in both 2017 and 2018 compared to average savings in the pre-decoupling period.

Table 11: Great Plains' Historical First-Year CIP Energy Savings (Dth) for Residential, Low-Income Residential, and Commercial and Industrial Customer Classes

Year/Period ²¹	Residential & Small Commercial	Low Income	Commercial & Industrial	Total, Not Including Custom Projects	Custom Projects	Overall Program
2013	10,010	1,073	3,705	14,788	181	14,969
2014	11,751	561	7,476	19,788	0	19,788
2015	11,610	649	6,066	18,325	51,068	69,393
2016	10,991	467	4,024	15,482	41,187	56,669
Pre-Decoupling Avg. (2013-2016)	11,091	688	5,318	17,096	23,109	40,205
2017	7,387	250	5,940	13,577	0	13,577
2018	9,817	422	1,198	11,437	24,646	36,083

Table 12 summarizes Great Plains' CIP energy savings as a percent of weather-normalized retail sales. According to the data, Great Plains' first year energy savings have never reached the 1.5% energy savings goal in the CIP statute, either before or after the start of Great Plains' decoupling pilot.

Table 12: Great Plains' CIP Energy Savings as a Percent of Weather Normalized Sales

CIP Plan Period	Year	Applicable 3-year Average Weather Normalized Sales (Dth)	Annual Energy Savings (Dth)	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%

²¹ Great Plains' Evaluation Report only included 2017 energy savings data; however, the Department's analysis included energy savings from Great Plains' 2018 CIP data which was filed on April 26, 2019, Docket No. G-004/M-19-287.

Despite decoupling not directly leading to energy conservation, the Department expressed concern about Great Plains' lack of energy savings improvement since the implementation of the RDM pilot. Since the statute governing pilot decoupling programs²² directs the Commission to "assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation", the Department plans to review Great Plains' next evaluation report to see if there is an increase in energy savings.

At its August 22, 2019 agenda meeting, the Commission voted to accept Great Plains' 2018 Decoupling Report, approve the related RDM adjustment factors, authorize Great Plains to continue its pilot for calendar year 2019, and changed the annual filing date for future evaluation report from March 1 to May 1. On August 23, 2019, the Commission issued its Order in this matter.

Great Plains' Extension Request – Dockets 15-879 and 19-198

On September 6, 2019, Great Plains submitted a request to extend its RDM through December 31, 2020.

On September 25, 2019, the Department submitted a letter stating that Great Plains' extension request was reasonable. The Department explained that the extension will provide the Commission with additional data to determine whether continuation of the RDM Rider is appropriate and provide parties additional time to analyze the RDM Rider in Great Plains' upcoming rate case.

At its January 9, 2020 agenda meeting, the Commission voted to approve Great Plains' extension request. On January 13, 2020, the Commission issued its Order in this matter.

Great Plains' 2019 Rate Case – Docket 19-511

As part of Great Plains' September 27, 2019 general rate case filing,²³ Great Plains requested to make its decoupling pilot permanent, with modifications. This rate case is pending and a Commission Order is expected in late 2020.

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 at that time warranted implementation of decoupling. Instead, the Commission directed Otter Tail to research alternative rate designs in

²² Minnesota Statute § 216B.2412, Subd. 3.

²³ Docket G-004/GR-19-511.

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 learned 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 sales 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 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, 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.

At its March 5, 2019 agenda meeting, the Commission voted to require Otter Tail, in its next rate case, to include a pilot plan for a decoupling program for all customer classes except for those subject to market-rates. Otter Tail was also ordered to include a pilot plan for its residential time-of-use rates in the rate case filing or, in the event that no rate case is filed in 2019, by March 1, 2020. On April 4, 2019, the Commission issued its ORDER ACCEPTING REPORT AND REQUIRING FILINGS in this matter.