



March 24, 2021

Senator David H. Senjem
Chair
Senate Energy and Utilities
Finance and Policy Committee

Senator Nick A. Frentz
Ranking Minority Member
Senate Energy and Utilities
Finance and Policy Committee

Rep. Jamie Long
Chair
Climate and Energy Finance and
Policy Division Committee

Rep. Chris Swedzinski
(Republican Lead) Ranking Minority Member
Climate and Energy Finance and
Policy Division Committee

Dear Senators Senjem and Frentz and Representatives Long and Swedzinski:

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

The Report is attached.

Please let me know if you have any questions or would like additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Will Seuffert'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Will Seuffert
Executive Secretary

C: Legislative Reference Library

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

March 24, 2021

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's estimated costs for preparing this Report are minimal as most of 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.

2020 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 (CenterPoint) implemented the first pilot decoupling program which is still active. Minnesota Energy Resources (MERC) and Great Plains Natural Gas Co. (Great Plains) also currently have active decoupling programs. Northern States Power Company d/b/a Xcel Energy (Xcel) operated an electric decoupling pilot which expired on December 31, 2019; however, Xcel has indicated that it plans to propose a new pilot in its next general rate case that is expected to be filed in the fall of 2021.

Otter Tail Power Company (Otter Tail, OTP) as part of its November 2020 rate case filing,² proposed a full decoupling pilot that, if approved, would go into effect in conjunction with implementation of final rates. A Commission decision and order in the rate case is expected in late 2021.

The Commission has not required or authorized pilot decoupling programs for Minnesota Power, Xcel Energy's gas utility or Greater Minnesota Gas.

On July 1, 2020, as directed in prior Commission actions, the Minnesota Department of Commerce, Division of Energy Resources (Department, DOC) filed a proposal for streamlining annual decoupling reports for all decoupled utilities.

¹ In the Matter of Commission Investigation Into the Establishment of Criteria and Standards for the Decoupling of Energy Sales from Revenues, Docket No. E, G-999/CI-08-132.

² In the Matter of the Application by Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota, Docket No. E-017/GR-20-719.

CenterPoint Energy³

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.⁴ 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 2019 Rate Case.⁵

CenterPoint Energy’s 2020 Decoupling Evaluation Report

On September 1, 2020, CenterPoint submitted its fourth annual report for the evaluation period of July 1, 2019 through June 30, 2020.⁶ For the evaluation period, CenterPoint under-collected \$904,565. Additionally, since revenue decoupling mechanism (RDM) recoveries are volumetric, and when combined with the Company’s previous year’s adjustment of \$768,399, this resulted in net total surcharges of \$1,672,964. 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, 2020

Class	Decoupling Adjustment Balance through June 30, 2020	Adjustment Made to Reflect 10% Cap	Prior Period Balance	Adjusted Balance
Residential	(\$351,980)		\$409,333	\$57,353
Commercial A	\$191,769		(\$36,908)	\$154,861
Commercial & Industrial B	\$473,413		\$15,819	\$489,232
Commercial & Industrial C	\$950,267		\$581,776	\$1,532,043
SVDF A	(\$41,979)		(\$143,731)	(\$185,710)
SVDF B	(\$152,495)		(\$130,878)	(\$283,373)
LVDF	(\$269,156)		\$41,107	(\$228,049)
Large Volume General Firm	\$104,725		\$31,881	\$136,606
Total	\$904,565	\$0	\$768,399	\$1,672,964

³ CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy or CenterPoint).

⁴ In the Matter of an Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota, Docket No. G-008/GR-13-316.

⁵ ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES, AND INITIATING DEVELOPMENT OF CONSERVATION PROGRAMS FOR RENTERS, In the Matter of the Application by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota, Docket No. G-008/GR-19-524 (March 1, 2021)

⁶ In the Matter of the Petition of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy) for Acceptance of its Annual Revenue Decoupling Report for the One-year Period Ending on June 30, 2020 and Approval of its Revenue Decoupling Mechanism Rate Adjustment, Docket No. G-008/M-20-704

Adjustment factors and estimated monthly impact for CenterPoint’s decoupled classed are summarized in Table 2.

Table 2 - Decoupling Adjustment Factors and Average Monthly Impact

Class	Decoupling Adjustment per Therm	Average Monthly Use (in Therms)	Average Monthly Decoupling Adjustment (\$)
Residential	\$0.00008	75	\$0.01
Commercial A	\$0.00653	69	\$0.45
Commercial & Industrial B	\$0.00814	250	\$2.04
Commercial & Industrial C	\$0.00405	1,520	\$6.16
SVDF A	(\$0.00398)	3,900	(\$15.52)
SVDF B	(\$0.00993)	13,900	(\$138.03)
LVDF	(\$0.00146)	38,900	(\$56.79)
Large Volume General Firm	\$0.00389	53,800	\$209.28

As shown in Table 3, and according to the Department, CenterPoint Energy’s 2019 energy savings achievements fell from the high of 2017 but increased compared to 2018 and 2016, making 2019 the second highest year of savings in the Company’s decoupling history. All of CenterPoint’s customer classes had higher energy savings in 2019 compared to the average of the pre-decoupling years 2007-2009.

Table 3 – CenterPoint Historical First-Year CIP Energy Savings (Dth) by Rate Class

Year/Period	Residential	Commercial & Industrial (C&I)				Overall Program
		C&I A	C&I B	C&I C	C&I Other	
2007-09 Average	219,299	11,041	21,648	175,833	435,901	863,722
2015	696,979	33,531	51,173	394,337	675,910	1,851,930
2016	685,065	21,722	50,871	486,744	761,612	2,006,014
2017	594,341	32,276	35,507	410,450	1,559,971	2,632,545
2018	708,736	28,325	42,846	568,983	631,644	1,980,534
2019	759,882	28,246	82,115	359,236	790,669	2,020,148
2019 Percent Change From 2007-09	247%	156%	279%	104%	81%	134%

Table 4 below quantifies how much each customer category contributed to CenterPoint’s energy savings increase between 2019 and the 2007-2009 average and indicates that, in terms of first-year Dth savings, the commercial and industrial customer segments combined provided the largest increase in energy savings, although the residential sector is very close.

Table 4 – Comparing 2019 CenterPoint CIP Energy Savings For All Classes with Average of 2007-2009 CIP Energy Savings (Dth)

Year/Period	Residential	Commercial & Industrial				Overall Program
		C&I A	C&I B	C&I C	C&I Other	
Energy Savings Increase (Dth)	540,583	17,205	60,467	183,403	354,768	1,156,426
Energy Savings Increase as Percentage of Total Increase	46.7%	1.5%	5.2%	15.9%	30.7%	100.0%

Table 5 below shows that CenterPoint’s first-year energy savings as a percent of retail sales increased from 0.54 percent in 2007 to a high of 1.87 percent in 2017 before falling to its current level of 1.43% percent, a slight increase over 2018.

Table 5 – CenterPoint CIP Energy Savings as a Percent of 10-Year Weather-Normalized Sales

CIP Plan Period	Year	Applicable Three-Year Average 10-Year Weather Normalized Sales (Dth)	Annual Energy Savings (Dth)	Energy Savings as a Percent of Sales
2007-2008 Biennial Period	2007	153,605,433	825,030	0.54%
	2008	153,605,433	827,340	0.54%
Extension of 2007-2008 Biennial	2009	153,605,433	938,798	0.61%
2010-2012 Triennial Period	2010	148,502,961	1,300,228	0.88%
	2011	148,502,961	1,488,231	1.00%
	2012	148,502,961	1,330,518	0.90%
2013-2015 Triennial Period	2013	136,490,212	1,570,810	1.15%
	2014	136,490,212	1,701,716	1.25%
	2015	136,490,212	1,851,930	1.36%
Extension of 2013-2015 Triennial	2016	136,490,212	2,006,014	1.47%
2017-2019 Triennial Period	2017	141,120,375	2,632,545	1.87%
	2018	141,120,375	1,980,534	1.40%
	2019	141,120,375	2,020,149	1.43%

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 CenterPoint achieved the same first-year energy savings in two years, the lifetime energy savings for CIP achievements associated with one of those years can be higher if that year’s achievements have a higher concentration of long lifetime projects); and
- changes in lifetime assumptions between triennial CIPs (e.g., the assumed lifetime for behavioral change projects is lower now than when 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 2019 lifetime energy savings were 98 percent higher than the Company’s average lifetime energy savings from 2007 through 2009. To put CenterPoint’s energy savings in context, CenterPoint’s 2019 lifetime energy savings were 23.0 million Dth, enough savings to provide natural gas service to almost 260,090 residential customers for a year.

On March 4, 2021, the Commission met to consider CenterPoint’s 2020 Decoupling Evaluation Report and voted to accept the Department’s recommendation to approve the 2020 Report and its related decoupling adjustments. The Commission issued its Order in this matter on March 8, 2021.⁷

Minnesota Energy Resources Corporation (MERC)

On July 13, 2012, the Commission issued its FINDINGS OF FACT, CONCLUSIONS, AND ORDER (2012 MERC Order) in MERC’s 2010 general rate case.⁸ As part of the 2012 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 general rate case.

⁷ Order, In the Matter of the Petition of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy) for Acceptance of its Annual Revenue Decoupling Report for the One-year Period Ending on June 30, 2020 and Approval of its Revenue Decoupling Mechanism Rate Adjustment, Docket No. G-008/M-20-704 (March 8, 2021)

⁸ In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota, Docket No. G-011/GR-10-977.

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, 2022.⁹

MERC’s 2019 Decoupling Evaluation Report – Docket 20-332

On February 28, 2020 MERC submitted its Annual Adjustment Calculation and, on May 8, 2020, MERC submitted its sixth Annual Evaluation, encompassing the period of January 1 to December 31, 2019.¹⁰

As shown in Table 6, the 2019 RDM adjustment calculation resulted in a \$3,994,174 refund for the Residential Class. Since the Company recovers surcharges/refunds on a volumetric basis, a true up of the previous year’s adjustment is also necessary to make the Company and ratepayers “whole”; therefore, the coming year’s adjustment includes 2017 true-ups for the Residential Class and the no-longer-decoupled Small Commercial and Industrial Class. Residential customers will receive a 2017 true-up refund of \$399,861 for a total combined refund of \$4,394,036. Small Commercial & Industrial customers will get a final \$40,447 surcharge.

Table 6: MERC Revenue Decoupling Mechanism Adjustment Calculation for Rates Effective March 1, 2019

	Residential	Small C&I
2019 RDM Surcharge/(Refund)	(\$3,994,174)	Not Applicable
2017 Reconciliation Adjustment	(\$399,861)	\$40,447
Total Surcharge/(Refund)	(\$4,394,036)	\$40,447

⁹ Findings of Fact, Conclusions, and Order, In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota, Docket No. G-011/GR-17-563 (December 26, 2018)

¹⁰ In the Matter of 2019 Annual Revenue Decoupling Evaluation Report and Revenue Decoupling Mechanism Adjustment Calculation, Docket No. G-011/M-20-332

As shown in Table 7, the average annual refund for Residential customers will be \$20.89 and the average annual surcharge for Small Commercial & Industrial customers will be \$4.45.

Table 7: 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	(\$0.02391)	874	(\$1.74)	(\$20.89)
Small C&I	\$0.00445	999	\$0.37	\$4.45

Table 8 compares MERC’s pre-decoupling (2010-2012) energy savings with the Company’s last five years of post-decoupling (2015-2019) energy savings. The Department noted that MERC’s average post-decoupling first-year dekatherm (Dth) savings are higher than the average pre-decoupling energy savings, both when measured as an annual amount and as a percent of retail sales. Further, the Department calculated that average post-decoupling Dth savings are eight percent higher than the average pre-decoupling Dth savings. Although MERC’s 2019 Dth savings are lower than its 2018 Dth savings, the 2019 Dth savings are still 8 percent higher than the average pre-decoupling Dth savings.

Table 8: Comparing MERC’s Last Five Years of Total Post-Decoupling CIP Savings to Three Years of Total Pre-Decoupling CIP Savings

	Year	First-Year Energy Savings	Non-CIP-Exempt Retail Sales (Dth)	Energy Savings as Percent of Retail Sales
Pre-Decoupling	2010	393,217	54,862,275	0.72%
	2011	420,837	54,862,275	0.77%
	2012	488,454	54,862,275	0.89%
	Average (2010-2012)	434,169		0.79%
Post-Decoupling	2015	493,382	43,175,948	1.14%
	2016	472,000	43,175,948	1.09%
	2017	402,989	52,732,921	0.76%
	2018	509,758	52,732,921	0.97%
	2019	468,544	52,732,921	0.89%
	Average (2013-2019)	469,335		0.96%

Table 9 below compares MERC’s lifetime energy savings by residential and customer classes and total classes (combined residential and customer classes.)

**Table 9: Comparing MERC’s Lifetime Savings Achievements
For Post-Decoupling (2015-2019) to Pre-Decoupling (2010-2012)**

	Year	Residential Lifetime Savings (Dth)	C&I Lifetime Savings (Dth)	Total Lifetime Savings (Dth)
Pre-Decoupling	2010	2,888,682	2,918,255	5,806,937
	2011	3,613,613	2,772,141	6,385,754
	2012	3,225,221	4,317,585	7,542,806
	Average (2010-2012)	3,242,505	3,335,994	6,578,499
Post-Decoupling	2015	3,789,697	3,631,203	7,420,900
	2016	3,994,962	2,835,370	6,830,332
	2017	2,962,037	3,593,757	6,555,794
	2018	3,089,170	5,075,013	8,164,183
	2019	3,319,527	3,563,788	6,883,315
	Average (2013-2019)	3,431,079	3,739,826	7,170,905

The Department, when comparing the last five years’ post-decoupling average to the three pre-decoupling years, pointed out that:

- MERC’s residential lifetime Dth savings increased 6 percent;
- MERC’s C&I lifetime Dth savings increased 12 percent; and
- MERC’s total lifetime Dth savings increased 9 percent.

Also, when comparing only 2019 to the pre-decoupling average:

- MERC’s residential lifetime Dth savings increased 2 percent;
- MERC’s C&I lifetime Dth savings increased 7 percent; and
- MERC’s total lifetime Dth savings increased 5 percent.

Consistent with its conclusion in previous years, the Department stressed that:

. . . there are many components of Minnesota’s regulatory structure that incent utility investment in encouraging its customers to invest in energy conservation. Given all of the elements of a favorable climate for IOU investment in energy conservation, it is not possible to state that one of the parts—revenue decoupling—is responsible for a specific amount of an IOU’s commitment to energy savings. However, the Department’s review of MERC’s CIP energy savings indicates that the Company’s energy savings are higher post-revenue decoupling than pre-revenue decoupling.

On March 4, 2021, the Commission met to consider MERC’s 2019 Decoupling Evaluation Report and voted to accept the Department’s recommendation to approve the 2019 Report and its related decoupling adjustments. The Commission issued its Order in this matter on March 8, 2021.¹¹

Xcel Energy - Electric

Xcel’s electric decoupling pilot expired on December 31, 2019; however, Xcel has indicated that it plans to propose a new pilot in its rate case which is expected to be filed in the fall of 2021.

Great Plains Natural Gas Co.

On September 6, 2016, the Commission issued its FINDINGS OF FACT, CONCLUSIONS, AND ORDER in Great Plains’ 2015 general rate case.¹² 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. The pilot has subsequently been extended through December 31, 2021.¹³

Great Plains’ 2019 Decoupling Evaluation Report – Docket 20-335

On February 28, 2020, Great Plains filed its third annual Evaluation, encompassing the period of January 1 to December 31, 2019. On May 1, 2020, Great Plains filed its CIP Supplement to the Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 3 of Pilot Program.

As summarized in Table 10, Great Plains over-collected and will refund a net amount of \$192,225. However, for Large Interruptible - S85 & S82 Class, the 10% cap applies, which further increases the 2019 amount to be refunded to \$209,756. Additionally, the previous year’s true-up resulted in an extra \$89,482 to be refunded. In total, decoupled classes will receive in aggregate net refunds totaling \$299,238. Table 10 summarizes all refunds and adjustments, by class.

¹¹ Order, In the Matter of 2019 Annual Revenue Decoupling Evaluation Report and Revenue Decoupling Mechanism Adjustment Calculation, Docket No. G-011/M-20-332 (March 8, 2021)

¹² In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota, Docket G-004/GR-15-879.

¹³ In its October 26, 2020 Order, In the Matter of the Petition by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities, Co., for Authority to Increase Natural Gas Rates in Minnesota, Docket G-004/GR-19-511, the Commission adopted the ALJ’s recommendation to extend Great Plains’ pilot through December 31, 2021.

Table 10 - Great Plains 2019 Decoupling Adjustments

Rate Class	Uncapped 2019 Decoupling Adjustment	Adjustment to Reflect 10% Cap	Capped 2019 Decoupling Adjustment	Prior Period Adjustment	Net Balance to be Adjusted - Surcharge or (Refund)
Residential Rate - N60	(\$86,791)	\$0	(\$86,791)	(\$60,290)	(\$147,081)
Residential Rate - S60	(\$111,198)	\$0	(\$111,198)	(\$53,713)	(\$164,911)
Firm General - N70	(\$44,587)	\$0	(\$44,587)	(\$12,790)	(\$57,377)
Firm General - S70	(\$20,880)	\$0	(\$20,880)	\$28,030	\$7,150
Small Interruptible - N71 & N81	\$37,348	\$0	\$37,348	(\$14,561)	\$22,787
Small Interruptible - S71 & S81	(\$39,573)	\$0	(\$39,573)	(\$145)	(\$39,718)
Large Interruptible - N85 & N82	\$1,871	\$0	\$1,871	\$8,445	\$10,316
Large Interruptible - S85 & S82	\$71,585	(\$17,531)	\$54,054	\$15,542	\$69,596
Total Under/(Over) Collection	(\$192,225)	(\$17,531)	(\$209,756)	(\$89,482)	(\$299,238)

Table 11 summarizes the monthly average surcharge or (refund) expected for each customer class.

Table 11: Monthly Average Surcharge or (Refund) for an Average Customer by Class

Customer Class	Decoupling Adjustment per Dth	Average Monthly Use in Dth	Average Monthly Surcharge or (Refund)
Residential – N60	\$(0.2038)	7.0	(\$1.43)
Residential – S60	\$(0.2047)	6.5	(\$1.33)
Firm General – N70	\$(0.1244)	30.2	(\$3.76)
Firm General – S70	\$0.0090	37.5	\$0.34
Small IT – North	\$0.0795	367.6	\$29.22
Small IT – South	\$(0.1182)	400.1	(\$47.29)
Large IT – North	\$0.0360	3,413.1	\$122.87
Large IT – South	\$0.0788	12,266.3	\$966.58

In reviewing Great Plains’ energy savings, the Department noted, as shown in Table 12, that the low-income segment produced the least amount of first-year savings, while the commercial and industrial segment produced the most variable first year (i.e. from one year to the next) savings. The Department attributed this variability, in large part, to the presence or absence of custom projects for the commercial and industrial segment.

Table 12: Great Plains’ First Year CIP Energy Savings (Dekatherms – Dth) by Customer Segment, 2013-2019

Year	Residential & Small Commercial	Low Income	Commercial & Industrial	Overall Program
2013	10,010	1,073	3,886	14,969
2014	11,751	561	7,476	19,788
2015	11,610	649	57,134	69,393
2016	10,991	467	45,211	56,669
2017	7,387	250	5,940	13,577
2018	9,817	422	25,844	36,083
2019	9,621	1,027	2,527	13,175

The Department added that, as shown in Table 13, Great Plains first year energy savings averaged 40,205 dekatherms during the four-year pre-RDM period; whereas, during the three-year Pilot, first year energy savings declined to an average of 20,945 dekatherms per year. The Department pointed out that, in 2019, the Company’s first year energy savings were 13,175 Dth which is equivalent to a 67.2 percent decrease from the Pre-RDM average of 40,205 Dth. Furthermore, when compared to post-decoupling, Great Plains’ pre-decoupling savings were higher for every customer segment.

Table 13: Average Annual First-Year Savings by Customer Segment, Pre-RDM, RDM Years 1-3, and RDM Year 3

Customer Segment	Annual First Year Savings (Dth)		
	2013-2016 Average (Pre-RDM Pilot)	2017-2019 Average (RDM Pilot Years 1-3)	2019 Evaluation Year (RDM Year 3)
Residential & Small Commercial	11,091	8,942	9,621
Low Income	688	566	1,027
Commercial & Industrial	28,427	11,437	2,527
Overall Program	40,205	20,945	13,175

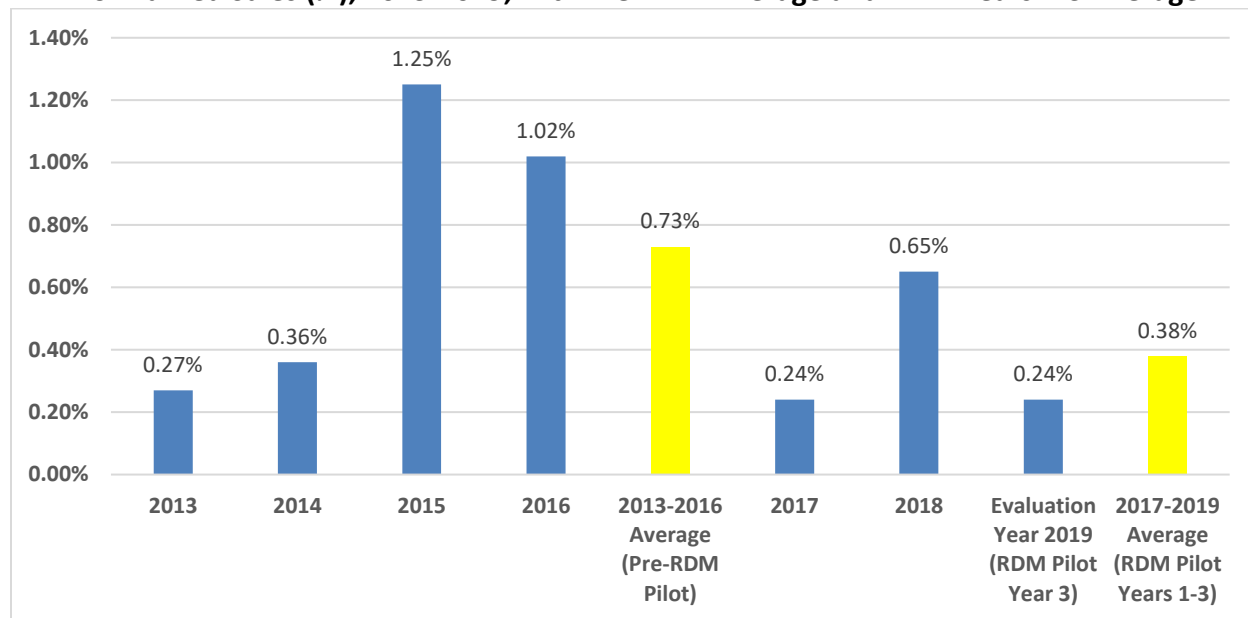
The Department observed that, as shown in Table 14, Great Plains' energy savings performance depends on the availability of custom projects for the Commercial & Industrial customer segment. When custom projects are removed from the analyses, the post-RDM energy savings decreases are less pronounced.

Table 14: Savings (Dth) and Impacts (%) of Great Plains' Custom Projects on the Commercial/Industrial Segment and Overall Program

Year	Overall Program	Commercial & Industrial Total		Custom Projects		Commercial and Industrial without Custom Projects	
	Savings (Dth)	Savings (Dth)	Percentage of Overall Program Savings (%)	Savings (Dth)	Percentage of Overall Program Savings (%)	Savings (Dth)	Percentage of Overall Program Savings (%)
2013	14,969	3,886	26%	181	1%	3,705	25%
2014	19,788	7,476	38%	-	-	7,476	38%
2015	69,393	57,134	82%	51,068	74%	6,066	9%
2016	56,669	45,211	80%	41,187	73%	4,024	7%
2017	13,577	5,940	44%	-	-	5,940	44%
2018	36,083	25,844	72%	24,646	68%	1,198	3%
2019	13,175	2,527	19%	-	-	2,527	19%
Average 2013-2019	31,951	21,145	51%			4,419	21%

Further, the Department stated that, at no point since 2013, either before or after the implementation of the RDM Pilot, has Great Plains reached the 1.5% energy savings goal in the CIP Statute. Figure 1, below, shows Great Plains’ CIP energy savings as a percent of weather-normalized retail sales for years 2013-2019.

Figure 1: Great Plains’ First-Year CIP Energy Savings as a Percentage of Weather Normalized Sales (%), 2013-2019, with Pre-RDM Average and RDM Years 1-3 Average



The Department said that it is aware that decoupling does not directly lead to energy conservation; however, the Department expects, all else being equal, an increase or at least continued maintenance of energy savings levels when an RDM is implemented. Thus, a decrease in energy savings, even when custom projects are removed for comparison purposes, calls into question whether extension of the Great Plains pilot or a permanent decoupling adjustment is prudent. The Department will continue to assess the level of Great Plains’ energy savings in the future.

Great Plains’ 2019 Rate Case – Docket 19-511

On October 26, 2020, the Commission issued its Findings of Fact, Conclusions, and Order in Great Plains’ 2019 rate case.¹⁴ That Order adopted most of the ALJ’s recommendations, including the one that extended the Company’s RDM through December 31, 2021.

¹⁴ In the Matter of the Petition by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities, Co., for Authority to Increase Natural Gas Rates in Minnesota, Docket No. G-004/GR-19-511

Otter Tail Power Company

Otter Tail Power Company – Docket No. 20-719

As part of its November 2, 2020 initial rate case filing, Otter Tail proposed a full-decoupling pilot to be implemented with final rates.¹⁵ The pilot would apply to the following classes:

- 9.01 – 9.03 – Residential, Residential Demand Control, Farm
- 10.01 – 10.03 Small General Service, General Service, General Service Time of Use
- 10.04 – Large General Service
- 10.05 – Large General Service Time of Day
- 11.02 – Irrigation Option 1 (non-time of use) and Option 2 (time of use)
- 11.05 – Municipal pumping

When compared to other approved RDM pilots, the Otter Tail proposal takes a novel approach in that for all the classes except for 10.04 and 10.05, the proposed decoupling adjustments are based on the number of meters rather than the number of customers. Otter Tail also proposed that the total aggregated amount of the RDM deferral be pooled and then the net amount be allocated back to the customer classes based on each customer class's approved forecasted sales. The details and merits of Otter Tail's RDM will be developed in the rate case's record. A final Commission decision on Otter Tail's rate case is expected in late 2021.

Streamlining of Annual Revenue Decoupling Evaluation Reports

In its Comments on MERC's 2018 Decoupling Evaluation Report, the Department stated:

... In recent years, the Department has primarily focused on the part of the evaluation report that focuses on the utilities' CIP energy savings achievements because Minnesota Statutes § 216B.2416, subd. 1 states that the purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency. No other party has been commenting on other parts of the evaluation plans. For administrative efficiency the Department will consult 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, and if so, present proposed reporting requirement modifications for future evaluation reports to the Commission.¹⁶

¹⁵ Direct Testimony and Schedules of Brian J. Boss, In the Matter of the Application of Otter Tail Power Company For Authority to Increase Rates for Electric Utility Service in Minnesota, Docket No. E-017/GR-20-719 (November 2, 2020)

¹⁶ Comments, at p. 7, Minnesota Department of Commerce, Division of Energy Resources, In the Matter of the 2018 Annual Decoupling Evaluation Report and Revenue Decoupling Mechanism Adjustment Calculation, Docket No. G-011/M-19-201 (September 10, 2019)

Since then, the Commission has required MERC¹⁷ and CenterPoint¹⁸ to work with the Department and other stakeholders to develop a streamlined annual decoupling evaluation report.

After convening a stakeholder group and receiving input, the Department on July 1, 2020, submitted its streamlining proposal (Streamlining Report)¹⁹ that stated the following:

Commitment to Increased Energy Savings (Department, Streamlining Report, p. 7)

Since reducing an IOU's disincentive to achieve energy savings is the goal of RDMs, the RDM evaluation should review whether the utility achieved energy savings. Although the analysis should include energy savings for the utility's entire portfolio, the most important energy savings to evaluate are those achieved by the customer classes to which the RDM applies.

The following data in narrative, numerical, table and/or graph form should be used to inform an IOU's narrative describing its energy savings before and after implementing revenue decoupling:

1. Brief overview of CIP portfolio. Narrative discussing changes made in the most recent triennial CIP, including any changes in marketing.
2. Annual first-year energy savings. Compare the utility's annual first-year energy savings for each of the past 5 years to the utility's average first-year energy savings for the three years preceding each utility's implementation of its RDM. Utilities should present the information on a total CIP basis and on a rate class basis, if possible, in a way that facilitates evaluation of the change in energy savings by customers in the rate classes with decoupled rates.

¹⁷ Order, In the Matter of the 2018 Annual Decoupling Evaluation Report and Revenue Decoupling Mechanism Adjustment Calculation, Docket No. G-011/M-19-201 (December 5, 2019) Ordering Points 4 and 5.

¹⁸ Order, In the Matter of the Petition of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy) for Acceptance of its Annual Revenue Decoupling Report for the One-year Period Ending on June 30, 2019 and Approval of its Revenue Decoupling Mechanism Rate Adjustment, Docket No. G-008/M-19-558 (January 30, 2020) Ordering Points 3 and 4.

¹⁹ Proposed Streamlining for Annual Revenue Decoupling Evaluation Reports for Center Point Energy, Great Plains Natural Gas Company, Minnesota Energy Resources Corporation, and Xcel Energy Electric (Streamlining Report); Minnesota Department of Commerce, Division of Energy Resources; In the Matter of the Petition of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy) for Acceptance of its Annual Revenue Decoupling Report for the One-year Period Ending on June 30, 2019 and Approval of its Revenue Decoupling Mechanism Rate Adjustment, Docket No. G-008/M-19-558; In the Matter of the Petition of Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., for Approval of its Revenue Decoupling Mechanism Rates and Decoupling Evaluation Report for Year 3 of Its Pilot Program, Docket No. G-004/M-20-335; In the Matter of 2019 Annual Revenue Decoupling Evaluation Report and Revenue Decoupling Mechanism Adjustment Calculation, Docket No. G-011/M-20-332; and In the Matter of Northern States Power Company's 2019 Annual Revenue Decoupling Mechanism Pilot Program Report, Docket No. E-002/M-20-180 (July 1, 2020)

3. Lifetime energy savings. Present the utility's lifetime energy savings for each of the past 5 years. Utilities should present the information on a total CIP basis and on a rate class basis, if possible, in a way that facilitates evaluation of the change in energy savings by customers in the rate classes that have decoupled rates.
4. Annual first-year energy savings for each year (beginning with three years before RDM implementation and ending with the year prior to RDM evaluation) presented as a percent of weather-normalized retail sales from non-CIP-out customers as specified in Minn. Stat. 216B.241 Subd. 1c. (b).
5. Comparison of the relevant average fuel (gas or electric) use per customer for each decoupled customer class for the three years before RDM implementation and the years after.

Calculation of RDM Deferral and Billing Adjustment Factors (Department, Streamlining Report, pp. 7-8)

Each year, utilities with decoupled customer classes provide data showing the revenues collected over the 12-month period and calculate whether, under their approved RDM rates, the collections resulted in an over or under collection. The data should provide the Commission with a basis for approving RDM adjustments. The data should also show the impact of the adjustments on the average utility customers' bills, partly to demonstrate over time whether a decoupling mechanism "harms" ratepayers.

Below is a proposed list of the minimum amount of narrative and data that should be included.

1. Brief explanation of how RDM overcollection/under collection and RDM rates are calculated.
2. Annual amount of revenue over/under collected by customer class through the RDM during the evaluation period, before and after any adjustments to reflect the cap. Supporting detail should include monthly sales and number of customers. Electric utilities should include a description of how cooling degree days (CDD) and heating degree days (HDD) varied from those assumed in the last rate case. Gas utilities should include description of how HDD varied from those assumed in the last rate case.
3. Describe whether the approved cap has come into play for any decoupled class since RDM was implemented. The discussion should include identification of the time period(s), the customer class(es) affected, and what the RDM adjustment would have been without the cap.

4. Describe any changes to the IOU's methods or calculations of the decoupling adjustment over the course of the pilot. Describe any such changes, their purpose, and impact on the deferral.
5. By rate class – the per therm or per kWh rate charged, the overall rate surcharge/refund, the actual annual gas/electric use per customer, and the estimated bill impact on average customers. If there is a wide variation of consumption in the customer class, the utility may provide estimated bill impacts on customers with a range of consumption.
6. Indicate whether the IOU filed any rate cases during the RDM implementation period, and when. To the extent new base rates took effect during the pilot period, indicate when those new rates took effect and what impact the revised rates had on the methods and mechanics of the RDM over/under collection calculations.
7. Provide a table showing the historical net surcharges/refunds for each decoupled class and for the utility as a whole.
8. Provide tables showing the calculation of all past RDM factors (including over/under collections of revenues and forecasted sales).
9. If the IOU includes the RDM adjustment per unit of energy in its tariff/rider, include an updated RDM Tariff Sheet in redline and final format.

Filing Dates (Department, Streamlining Report, pp. 6-7)

Below are the proposed filing dates for each IOU to submit its Streamlined Decoupling Evaluation Report. Each of these dates are either on or after the utility submits its CIP Status Report to the Department, and thus the IOU will have already aggregated the CIP energy and demand savings that will assist the Commission and other parties in evaluating the utility's decoupling mechanism. For two of the utilities, Great Plains and MERC, the new filing dates for the evaluation reports will also mean that their new RDM rates will have a different starting date.

1. CenterPoint Energy – September 1 of each year
2. Great Plains- May 15 of each year
3. MERC – June 1 of each year

Xcel's decoupling pilot expired on December 31, 2019. During the stakeholder process, Xcel proposed to submit its annual evaluation report on April 1 of each year; however, since annual CIP Reports are annually filed on May 1, it is possible that the April 1 will change. Xcel has indicated that it will propose a new decoupling program in its next rate case filing that is anticipated to be made on or around November 1, 2021. The merits of that prospective decoupling program, including the annual filing date, will be addressed at that time.

Commission Action

On March 4, 2021, the Commission met and approved the proposed Streamlining of Annual Revenue Decoupling Evaluation Reports. The Commission's Order in this matter was issued on March 8, 2021.²⁰

²⁰ Order, In the Matter of Proposed Streamlining for Annual Revenue Decoupling Evaluation Reports, Docket Nos. G-008/M-19-558, G-004/M-20-335, G-011/M-20-332, and E-002/M-20-180 (March 8, 2021)