

Energy Agenda, December 22, 2011

OTP, Docket No. 11-185

Revised decision alternatives

2010 DSM financial incentive

1. Approve OTP's proposed revised 2010 DSM financial incentive of \$3,531,538.
Allow OTP to include the 2010 DSM financial incentive in its CIP tracker account as of December 31, 2011.
2. Take no action at this time to approve OTP's request for a 2010 DSM financial incentive. Revisit the new shared savings DSM financial incentive structure and OTP's requested 2010 DSM financial incentive at a later date.
3. Request that the DOC re-examine the new shared savings financial incentive model to address potential unintended consequences including those described by MCC. Encourage the DOC to file its report on the new incentive model within 30 days of the Order in this matter, including any suggestions for *minor* changes to the incentive for the 2012 CIP program year *and significant changes for the 2013 CIP program year.*

2010 CIP tracker account activity

4. Approve OTP's 2010 CIP tracker account, as revised and summarized in Table 1, of the DOC's December 14, 2011 comments in this docket.

Measurement of energy savings for behavioral projects

5. Require OTP to work with the DOC to implement a new method for counting the energy savings from behavioral programs that reflects the concerns raised by the DOC in the instant docket. These changes should be applied to the calculation of OTP's *2012* DSM financial incentive. The DOC should report back to the Commission on the approach to be taken in the determination of OTP's *2012* DSM financial incentive.

Variance request

6. Approve OTP's request for a variance to Minnesota Rules part 7820.3500 (K) and a variance to Minnesota Rules part 7825.2600 for one year following the issue date of the Commission's Order in this matter.

CIP Program opt out for large customers, Minnesota Laws 2011

7. Effective January 1, 2012, require OTP to begin separately tracking both the costs and the recovery of costs, related to CIP expenditures, tracker balances, DSM incentives and any other expenses or assessments recovered through the CCRC or the CCRA, in periods prior to January 1, 2012 and periods beginning on and after January 1, 2012, by customer. Direct OTP in its CIP tracker, DSM incentive, and CCRA filing in 2012, to

report on the pre-and post-January 1, 2012 costs and recovery of costs separately, including supporting schedules and narrative describing the methodology used by customer. This pre- and post- information should also be tracked by customer for all pending and future CIP exemptions granted by the Commissioner of DOC.

8. Find that issues of interpretation of what “effective on January 1” means with respect to the recovery of costs incurred or attributable to periods prior to January 1 for newly-exempt CIP customers as contained in Minnesota Laws 2011, Chapter 97, Sections 8, 18, 19, 21 and 31, as well as other related issues, will be addressed *In the Matter of the Minnesota Public Utilities Commission’s Implementation of Minnesota Laws 2011, Chapter 97, Sections 8, 18, 19, 21 and 31*, in Docket No. E, G-999/CI-11-1149.
9. Require OTP to continue to recover CIP-related expenses for periods prior to January 1, 2012 from newly-exempt CIP customers until such time that the Commission has made a determination on the interpretation of Minnesota Laws 2011, Chapter 97, Sections 8, 18, 19, 21 and 31, as discussed above. Any CIP-related expenses recovered from the newly-exempt customers could be subject to true-up and refund at some future time.
10. Find that OTP’s Conservation Improvement Program Adjustment Rider tariff does not provide for exemption from conservation improvement program charges for Large Customer Facilities, as defined in 216B.241, subd. 1 (i) (2). Direct the Company to file, for Commission review and approval, revised tariffs governing the application of conservation improvement charges for Large Customers Facilities which may be exempted by the Commissioner of the DOC. These can be filed separately from the other compliance tariff filings required by the Commission in this docket.

Conservation Cost Recovery Adjustment (CCRA) and Conservation Cost Recovery Charge (CCRC)

Percent of Bill method

11. Make no change at this time to OTP’s current method of CIP cost allocation for the CCRA and CCRC. Allow the Company to continue to use of the Percent of Bill method for its CCRA. Approve a CCRA of 3.8% for OTP beginning as early as the first billing cycle in the next full month after Commission approval, conditioned on the Company submitting, within 10 days of the issue date of the Order in the present docket, a compliance filing with tariff sheets and necessary calculations that comply with the Commission’s determinations in this matter.
 - a. Order the Company to use the Per kWh method of cost allocation in its CIP CCRA filing made April 1, 2012 to apply to its 2012/2013 CCRA.
 - b. Order the Company to provide rate impacts by class that would result from a change to the Per kWh method for CIP cost allocation for its CCRA in its April 1, 2012 filing so that the Commission can determine whether the change should be made at that time.

Per kWh method

12. **Require OTP to** use the Per kWh method for the allocation of CIP costs in the CCRA **at this time**. Approve a CCRA of \$0.00244 per kWh for OTP beginning as early as the first billing cycle in the next full month after Commission approval, conditioned on the Company submitting, within 10 days of the issue date of the Order in the present docket, a compliance filing with tariff sheets and necessary calculations that comply with the Commission's determinations in this matter.

Percent of Benefits and Percent of Bill method

Change to the Percent of Benefits method for the CCRA

13. Require OTP to use the Percent of Benefits method for the allocation of CIP costs for the CCRA. Approve OTP's use of the following allocations to customer classes for the Company's 2011/2012 CCRA:

- 23.3 percent to residential customers
- 1.6 percent to farm customers
- 16.1 percent to general service customers
- 47.7 percent to large general service customers
- 0.2 percent to irrigation customers
- 1.0 percent to outdoor lighting customers
- 0.9 percent municipal pumping customers
- 1.1 percent to water heating control customers
- 6.9 percent to interruptible load customers
- 1.2 percent to deferred load customers

(**Note:** Under this decision alternative the "rate" for the CCRA for each class of customer will be determined based on the percent allocations above, and approved by the DOC through a compliance filing process.)

Within-class allocation (intra-class allocation) under Percent of Benefit method

14. If the Commission adopts the Percent of Benefits method for OTP, approve the DOC method for the allocation of CIP costs within classes. For customer classes that have a demand charge, the intra-class allocation should be determined by dividing all allocated demand costs by billable demand units and by dividing all allocated energy costs by billable energy units. For customer classes that do not have a demand charge, the intra-class allocation should be determined by dividing all allocated CIP cost by billable energy units.

Changing the allocation method for the CCRC

15. If the Commission adopts the use of the Percent of Benefits method for the CCRA for OTP, approve the use of the DOC's Percent of Benefits method for the allocation of CIP costs in base rates through the Company's CCRC.
16. Take no action at this time to designate an alternative method to that currently used by OTP for the determination of the CCRC in base rates.

Energy and demand allocation factors

17. If the Commission adopts the Percent of Benefits method for the CCRA and the CCRC, require OTP to use the E8760 allocation factor to allocate CIP costs designated as energy costs for both the CCRA and CCRC. [Staff Note: If the Commission selects this decision alternative for OTP, Xcel and MP, it could leave IPL out. IPL could be directed to begin use of the E8760 allocation factor for allocating CIP costs designated as energy costs in its next rate case, or in the alternative, the Commission could decline to order IPL to use the E8760 allocation factor to allocate CIP costs designated as energy costs since it has no approved E8760 allocation factor at this time.]
18. If the Commission adopts the Percent of Benefits method for the CCRA and the CCRC for OTP, require OTP to include in its compliance filings a description of which demand allocator it will use to allocate demand-related costs under this cost allocation method, and why it selected this demand allocator to allocate CIP costs.

Percent of Bill method and phase-in of Per kWh method for OTP

19. Approve OTP's continued use of the Percent of Bill method for its CCRA, for the inter-class allocation of CIP costs.
20. Approve OTP's continued use of the Percent of Bill method for its CCRA, but extend its application to intra-class allocation of CIP costs.
21. Approve the use of the Per kWh method for OTP for its CCRA, but delay the application until next year (i.e. to be implemented with the 2012/2013 CCRA).
22. Approve the use of the Per kWh method for OTP for its CCRA, but allow for a phased-in implementation over two years. The phase-in will be implemented with the 2011/2012 CCRA (filed April 2011) and the 2012/2013 CCRA (to be filed in April 2012).

Cost allocation methods and changes to the DSM financial incentive

23. If the Commission allows all utilities that currently use the Per kWh method for the CCRA and/or CCRC to continue using this method, but it requires OTP to move to the

Per kWh method for its CCRA, require all utilities in the determination of their DSM financial incentives to remove the net benefits associated with capacity savings from CIP programs.

24. If the Commission decides to allow all utilities that currently use the Per kWh method for the CCRA and/or CCRC to continue using this method, but it requires OTP to use the Per kWh method for its CCRA, require all utilities to use the E8760 allocation factor to allocate CIP costs for both the CCRC and CCRA.

Compliance filings

25. Require OTP to file within 60 days of the issue date of the Order in the present docket, a compliance filing with all compliance information required above, including tariff sheets and necessary calculations that comply with the Commission's determinations in this matter.