

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

In the Matter of an Inquiry into the Financial Effects of COVID-19 on Natural Gas and Electric Utilities

ISSUE DATE: May 22, 2020

DOCKET NO. E,G-999/CI-20-425

In the Matter of the Petition of the Minnesota Rate Regulated Electric and Gas Utilities for Authorization to Track Expenses Resulting from the Effects of the COVID-19 and Record and Defer Such Expenses into a Regulatory Asset

DOCKET NO. E,G-999/M-20-427

ORDER APPROVING ACCOUNTING REQUEST AND TAKING OTHER ACTION RELATED TO COVID-19 PANDEMIC

PROCEDURAL HISTORY

On March 13, 2020, Governor Walz issued Emergency Executive Order 20-01, declaring a peacetime emergency to protect Minnesotans from the novel coronavirus disease 2019 (COVID-19) outbreak in the United States that has spread to the State of Minnesota.

On March 25, 2020, the Chair of the Commission and the Commissioner of the Minnesota Department of Commerce sent a joint letter to Minnesota Electric and Gas Utilities requesting all utility providers to commit to work with affected customers and communities by undertaking—at minimum—certain voluntary actions for the duration of the national security or peacetime emergency:¹

- Extend the protections of Minnesota’s Cold Weather Rule provided under Minnesota Statutes sections 216B.096 (public utilities), 216B.097 (electric cooperatives and municipal utilities) and 216B.16, subdivisions 12 and 12a (small gas utility and small electric utility, respectively) by restricting disconnection of residential customers for nonpayment of utility bills and reconnecting, customers who have been disconnected for the duration of the national security or state peacetime emergency. This request shall not affect the utility’s ability to disconnect a customer’s service for public safety concerns unrelated to non-payment of services;

¹ *In the Matter of an Inquiry into Actions by Electric and Natural Gas Utilities in Light of the COVID-19 Pandemic Emergency*, Docket No. E,G-999/CI-20-375.

- Waive late fees that any residential or small business customer incurs because of the economic circumstances related to the coronavirus pandemic; and
- During this time, arrange payment plans for customers requesting help that is based on their financial resources and circumstance.

On April 14, 2020, the Commission issued a Notice of Reporting, Comment Period and Procedures, in Docket No. E,G-999/CI-20-375, which established reporting expectations, procedures and comment opportunities for the natural gas and electric utilities on COVID-19 issues.

On April 20, 2020, Minnesota rate-regulated natural gas and electric utilities (the Joint Petitioners)² filed a petition requesting authority to track, defer, and record COVID-19-related expenses as a regulatory asset.³ Petitioners assert that such action would preserve the ability for each utility to request recovery in a future proceeding, subject to full Commission review.

On May 4, 2020, the Office of the Attorney General Residential Utilities Division filed preliminary comments.

On May 5, 2020, Commissioner Sullivan filed a memo discussing consideration of an additional issue: gathering information from the regulated electric and gas utilities on investments that could assist in Minnesota's economic recovery from the COVID-19 pandemic,

On May 7, 2020, the Commission met to consider the matters.

FINDINGS AND CONCLUSIONS

I. Summary of Commission Action

In this order, the Commission grants the Joint Petitioners' April 20, 2020 Petition with the caveat that the grant is for accounting purposes only. The order requires utilities to track costs and revenues or grants incurred or received as a result of the COVID-19 pandemic, and requires utilities to make an initial filing of their accounting methodology and known and estimated costs and revenues within specific categories in 21 days, and quarterly thereafter. The utilities continue to bear the burden to later establish significance, reasonableness, prudence, and the incremental nature of the costs.

The Commission requests input from stakeholders and utilities on the financial effects from the COVID-19 pandemic, and delegates authority to its Executive Secretary to issue a Notice based

² The Joint Petitioners comprise the following regulated electric and natural gas service providers in Minnesota: CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, Dakota Electric Association, Great Plains Natural Gas Co., Greater Minnesota Gas, Inc., Minnesota Energy Resources Corporation, Minnesota Power, Northern States Power Company d/b/a Xcel Energy and Otter Tail Power.

³ Docket No. 20-427.

on Commissioner Sullivan's May 5 memo to identify utility projects that satisfy the criteria set forth in the memo and as elaborated upon in the Commission's May 7 meeting. Finally, the Commission delegates authority to its Executive Secretary to modify and vary procedures and deadlines.

II. Further Investigation on Issues Related to COVID-19

Responding to Minnesota's Emergency Executive Order 20-01, and to the joint letter from Chair Sieben and the Commissioner of the Department of Commerce, public utilities have temporarily restricted disconnections, waived late fees, and arranged payment plans for customers requesting help that is based on their financial resources and circumstance in relation to COVID-19.⁴

To gather additional information regarding the financial effects of COVID-19 on regulated utilities, the Commission will request comments on the following areas of inquiry:

- Stakeholder input on what actions the Commission should take including what type of information to gather, if any;
- Input on how to identify the types of financial impacts that could be considered COVID-19-related, including cost increases and decreases, revenue increases and decreases, and investments, as well as what off-sets there may be; and
- Information on the financial effects on the utilities of the pandemic.

At the May 7, 2020, Commission meeting the Commission also discussed identifying utility investments that could assist in Minnesota's economic recovery from the pandemic. To gather such information, the Commission will request that its Executive Secretary issue a Notice requesting information from the regulated utilities to identify investments and utility projects that could assist Minnesota's economic recovery from COVID-19.⁵ The Notice will request that utilities identify investments that should:

- Provide significant utility system benefits;
- Be consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders;
- Reduce carbon or other pollutant emissions in the power sector or across economic sectors;
- Increase access to conservation and clean energy resources for all Minnesotans;
- Create jobs or otherwise assist in economic recovery for Minnesotans; and
- Use women, veteran, or minority-owned businesses to the extent possible, which can be documented for verification purposes.

⁴ Other states and regulatory bodies have taken specific action with respect to utility financial and accounting issues related to COVID-19. A summary of such actions was filed as Attachment A to Staff briefing papers in this matter.

⁵ *In the Matter of an Inquiry into Utility Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic*, Docket No. E,G-999/CI-20-492.

III. Joint Petitioners' Request

A. The Petition

In Docket 20-427, the natural gas and electric utilities requested that the Commission grant deferred accounting for the incremental costs incurred as a result of COVID-19, and proposed an effective date of March 13, 2020. The Petition requests that due to the unforeseen and unprecedented recent events related to COVID-19, and in expectation that ongoing and continued pandemic-related actions will be needed by the utilities to ensure continued safe and reliable service during and after the peacetime emergency, the Commission authorize each of the Joint utilities to track incremental costs incurred as a result of COVID-19, defer such costs, and record them into a regulatory asset.

At the Commission meeting, individual utilities addressed the Commission stating that it is premature at this time to attempt to quantify the ultimate financial impacts on the regulated utilities from the pandemic. They urged the Commission to grant the petition, and allow the utilities to track and defer the incremental COVID-19 costs and expenses.

B. Participant Comments

At the meeting, the Department of Commerce argued that the Joint Petition is not yet ripe for resolution as there has been no briefing by the parties nor input from stakeholders. Further, while the utilities may face certain extra costs stemming from COVID-19, there will also almost certainly be cost savings to the utilities from reduced spending in other matters. The Department cautioned the Commission to examine the overall impact on the utilities before granting deferred accounting, and that the incremental costs, as well as revenue and utility savings, must be evaluated.

The Office of the Attorney General Residential Utilities Division (OAG) generally supported the arguments of the Department, arguing that it is not appropriate to grant deferred accounting at this time, and that the agency was in the process of preparing written comments per the schedule referenced in the Commission briefing papers on this matter.

The Citizens Utility Board agreed that the costs as well as savings resulting from the pandemic should be tracked and evaluated and stated it was reviewing the issues raised.

C. Commission Action

The Commission recognizes that the actions and other activities that utilities will likely need to take during this declared peacetime emergency may result in additional expenditures outside of the usual course of business to the utility as well as other financial impacts.

Mechanisms like deferred accounting are exceptions to traditional ratemaking practice, which uses a fully developed test year to provide the most accurate possible picture of the utility's total financial condition. Considering one expense in isolation, without considering where costs may have declined, carries risks of over-recovery that are seldom justified. Accordingly, deferred accounting is a practice that the Commission authorizes sparingly.

Deferred accounting is also inconsistent with the normal system of accounts for recording utility expenses. Pursuant to Minnesota Rule 7825.0300, utilities may request exception to the normal practices, which the Commission will grant if good cause is shown. Exceptions for the purpose of deferred accounting have been reserved for costs that are unusual, unforeseeable, and large enough to have a significant impact on the utility's financial condition. The practice has also been authorized in certain situations involving a public policy mandate. Utilities that have costs approved for deferred accounting must also always establish the costs' reasonableness and prudence.

The declaration of a peacetime public health emergency is an exceptional and unusual situation. Access to safe, reliable, and affordable utility service is essential to maintain public health and safety during this emergency. As a result, the Governor, the Commission, and the utilities have taken certain steps to ensure continuation of these essential services during this time.

Responding to these directives and other actions that utilities may need to take during this time may result in expenditures and other financial impacts outside of the utility's control. The Commission recognizes that COVID-19-related expenditures and other financial impacts are unusual, extraordinary, and infrequent. The Commission also recognizes that without recovery of these costs, a utility could suffer financial harm.

The question of the significance of these cost, however, cannot, be determined at this time. The utility representatives appearing at the Commission meeting confirmed that it is premature to attempt to quantify their known or anticipated COVID-19-related costs at this time. Thus, the Commission's determination in this matter to allow utilities to track and defer COVID-19-related costs and expenses is not and cannot be viewed as a predetermination of either the significance or prudence of the costs.

Evaluation of the significance, prudence, reasonableness, and incremental nature of the costs will come later, at such time as individual utilities file petitions or request recovery in rate proceedings. At that time, the utility's COVID-19-related costs and revenues received can be appropriately reviewed for reasonableness and prudence.

The Commission is also keenly aware that state agencies and stakeholders have not had a full opportunity to seek and/or provide written input regarding the COVID-19 emergency situation generally or specifically with respect to the request for deferred accounting. In particular, stakeholders have not yet had an opportunity to suggest categories of offsetting savings or sources of income that may diminish the overall significance of tracked costs. For all of the above reasons, the Commission will limit its actions in this order accordingly and will solicit additional comment on how to fully account for the net financial impact of COVID-19 effect on utility costs and revenues at the time they seek recovery.

For the present, the Commission will ask utilities to track and record costs and revenues related to the COVID-19 pandemic. Evaluation of potential requests for recovery will be deferred until a future proceeding where they can be reviewed and carefully evaluated. Nothing in this order should be taken as shifting the burden of proof.

Accordingly, the Commission will grant the Joint Petition *for accounting purposes only*. The Commission will require that the utilities track costs and revenues or grants incurred or received as a result of the COVID-19 pandemic.

The Commission will also require utilities to make an initial filing of their accounting methodology and known and estimated costs and revenues within the specific categories in 21 days, and quarterly thereafter. The utilities will still bear the burden to establish significance, reasonableness, prudence, and the incremental nature of the net COVID-19 effect on utility costs and revenues at the time they seek recovery.

Finally, the Commission will delegate authority to the Executive Secretary to modify and vary procedures and deadlines as appropriate to achieve the goals of gathering this information at an appropriate level of detail in a timely fashion.

It is so ordered.

ORDER

Docket No. E, G-999/CI-20-425

1. The Commission requests initial comments from rate regulated electric utilities on the following:
 - a. Stakeholder input on what actions the Commission should take including what type of information to gather, if any;
 - b. Input on how to identify the types of financial impacts that could be considered COVID-related, including cost increases and decreases, revenue increases and decreases, and investments, as well as what off-sets there may be; and
 - c. Information on the financial effects on the utilities of the pandemic.
2. The Commission delegates authority to the Commission's Executive Secretary to modify and vary procedures and deadlines, including the procedures and deadlines in this and subsequent orders, for the duration of this proceeding; and
3. The Commission will direct the Executive Secretary to issue a notice requesting information from the regulated electric and gas utilities on the investments that would assist in Minnesota's economic recovery from the COVID-19 pandemic.

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4. The Commission delegates authority to the Commission's Executive Secretary to modify and vary procedures, including the procedures and deadlines in this and subsequent orders, for the duration of this proceeding.

5. The Joint Petitioners' April 20, 2020 Petition is granted with the caveat that the grant is for accounting purposes only. Further, the utilities must track costs and revenues or grants incurred or received as a result of the COVID-19 pandemic. They must make an initial filing of their accounting methodology and known and estimated costs and revenues within the specific categories in 21 days, and quarterly thereafter. The utilities still bear the burden to establish significance, reasonableness, prudence, and the incremental nature of the costs.
6. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Will Seuffert
Executive Secretary



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