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September 25, 2013

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, Minnesota, 55101-2147

RE: **Response Comments of Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G004/D-13-448

Dear Dr. Haar:

Attached are the Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) to the Reply Comments of Great Plains Natural Gas Co.'s (Great Plains) in the following matter:

Great Plains Natural Gas' Annual Depreciation Study.

The Department recommends **approval with modifications**, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ CRAIG ADDONIZIO  
Financial Analyst

CA/ja  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET NO. G004/D-13-448

**I. BACKGROUND**

On May 31, 2013, Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc. (Great Plains or the Company) filed a Petition with the Minnesota Public Utilities Commission (Commission) requesting approval of the depreciation parameters and rates proposed in its 2013 depreciation study (2013 Depreciation Study).

On August 30, 2013, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments requesting further information regarding unexpected changes to the remaining lives of three plant accounts.

On September 13, 2013, Great Plains filed Reply Comments with the requested information.

**II. DEPARTMENT ANALYSIS**

In its Comments, the Department requested further information regarding Great Plains proposed changes to the remaining lives of the three plant accounts shown in Table 1 below.

**Table 1**  
**Comparison Average Service Lives and Remaining Lives of**  
**Selected Accounts**

Account No.	Description	Proposed Average Service Life and Survivor Curve		Proposed Average Remaining Life		Difference
		2012 Depreciation Study	2013 Depreciation Study	2012 Depreciation Study	2013 Depreciation Study	
		367.00	Transmission Mains	50-R3	50-R3	
367.60-.61	Farm & Side Taps	30-R4	30-R4	7.51	8.91	1.40
390.00-.01	General Structures & Improvements	45-R3	45-R3	36.60	17.06	-19.54

Sources: Table 8 of Great Plains' 2012 and 2013 Depreciation Studies

*A. ACCOUNT 367.00 TRANSMISSION MAINS*

In its 2013 Depreciation Study, Great Plains proposed a 3.14-year remaining life extension for Account 367.00. As noted in the Department's Comments, Account 367.00 had no additions or retirements in 2012, and therefore the Department would have expected its remaining life to decrease by approximately one year, not increase by 3.14 years.

In its Reply Comments, Great Plains explained that the 15.84-year remaining life proposed in the 2013 Depreciation Study was inadvertently calculated with a 50-R2 survivor curve, rather than the proposed 50-R3 survivor curve. Great Plains stated that the correct remaining life for Account 367.00, calculated with a 50-R3 survivor curve, is 12.14 years, which is consistent with the Department's initial expectations. In the 2013 Depreciation Study, Great Plains initially proposed a depreciation rate of 0.12 percent for Account 367.00; this adjustment to the account's remaining life results in a depreciation rate of 0.15 percent.

The Department concludes that Great Plains' revised remaining life and the resulting depreciation rate are reasonable.

*B. ACCOUNT 367.60-61 FARM & SIDE TAPS*

In its 2013 Depreciation Study, Great Plains proposed a 1.40-year remaining life extension for Account 367.60-61. As noted in the Department's Comments, Account 367.60-61 had no additions or retirements in 2012, and therefore the Department would have expected its remaining life to decrease by approximately one year, not increase by 1.40 years.

In its Reply Comments, Great Plains explained that 1966-vintage property included in the account's plant balance exceeds the maximum life of the 30-R4 survivor curve used for the property group, and is therefore excluded from the account's remaining life calculation. As a result of the exclusion of this property, the account's average remaining life increases slightly

from last year. Based on this explanation, the Department concludes that Great Plains' proposed remaining life of 8.91 years is reasonable.

*C. ACCOUNT 390.00-.01 GENERAL STRUCTURES AND IMPROVEMENTS*

In its 2013 Depreciation Study, Great Plains proposed a 19.54-year reduction in the remaining life of Account 390.00-.01. As noted in the Department's Comments, Account 390.00-.01 had net additions to plant in 2012, which would be expected to lengthen the account's remaining life, not decrease it by more than 50 percent. Further, in the 2012 Depreciation Docket, the remaining life of account 390.00-.01 was extended by 19.62 years, from 16.98 years to 36.60 years, and the decrease proposed in the 2013 Depreciation Study would reverse last year's proposed extension.

In its Reply Comments, Great Plains explained that the 17.06-year remaining life proposed in the 2013 Depreciation Petition was inadvertently calculated with depreciation parameters from the Company's 2011 Depreciation Study (Docket No. G004/D-11-499), rather than those proposed in Great Plain's 2012 Depreciation Study (Docket No. G004/D-12-565), as the Company had intended. Great Plains recalculated the account's remaining life using the proposed 45-R3 survivor curve, which resulted in a 36.75-year remaining life for the account. In the 2013 Depreciation Study, Great Plains initially proposed a depreciation rate of 4.03 percent for Account 390.00-.01; this adjustment to the account's remaining life results in a depreciation rate of 1.87 percent.

The Department concludes that Great Plains' revised remaining life and the resulting depreciation rate are reasonable.

### **III. CONCLUSION AND RECOMMENDATIONS**

The Department notes that the combined effects of the two revisions discussed above is a reduction to Great Plains' estimated 2013 depreciation expense of approximately \$40,000, or 2.85 percent.<sup>1</sup>

After reviewing Great Plains' 2013 Depreciation Study, responses to Department Information Requests, and Reply Comments, the Department concludes that Great Plains' proposed depreciation parameters and the resulting depreciation rates, as revised, are reasonable. The Department notes that in addition to the revisions discussed above, Great Plains has also revised the proposed amortization rates for certain amortizable accounts since filing its Petition.<sup>2</sup> The Department's recommendations below reflect all of the proposed revisions.

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<sup>1</sup> See page 4 of the Company's Reply Comments.

<sup>2</sup> See pages 4-6 of the Department's Comments for a more detailed explanation of Great Plains' proposed amortization rates.

The Department recommends that the Commission:

1. approve the depreciation parameters and depreciation rates proposed in Great Plains' 2013 Depreciation Study, with the following exceptions:
  - a. for Account 367.00, approve a remaining life of 12.10 years and a depreciation rate of 0.15 percent;
  - b. for Account 390.00-.01, approve a remaining life of 36.7 years and a depreciation rate of 1.87 percent;
  - c. for Account 391.10, approve an average service life of 16 years and an amortization rate of 6.25 percent;
  - d. for Account 394.10, approve an average service life of 20 years and an amortization rate of 5.00 percent;
  - e. for Account 397, approve an average service life of 18 years and an amortization rate of 5.00 percent;
2. require Great Plains to file its next depreciation study by June 1, 2014; and
3. require Great Plains to file a five-year depreciation study by June 1, 2017.

/ja

## **CERTIFICATE OF SERVICE**

I, Jan Mottaz, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Response Comments** of the Minnesota Department of Commerce, **Division of Energy Resources**

**Docket No.** G004/D-13-448

**Dated this 25th day of September 2013**

**/s/Jan Mottaz**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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