

July 30, 2025

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. G004/D-25-243

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

Great Plains Natural Gas Company's 2025 Annual Depreciation Study.

The Petition was filed by Great Plains Natural Gas Company on May 30, 2025.

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

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

JT & CA/ad
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. G004/D-25-243

I. INTRODUCTION

On May 30, 2025, Great Plains Natural Gas Company, a Division of Montana-Dakota Utilities Co., (Great Plains or the Company) filed its 2025 Annual Depreciation Study (Petition) with the Minnesota Public Utilities Commission (Commission). The depreciation rates proposed in the Petition are based on the service life and salvage parameters established in the Company's most recent comprehensive five-year depreciation study (Docket No. G004/D-22-262) but have been updated to reflect the passage of one year's time and 2024 plant activity (e.g., additions and retirements).

The Company requested an effective date of January 1, 2025, for its proposed depreciation parameters. Great Plains' composite annual depreciation rate under present rates is 3.08 percent, while the proposed composite depreciation rate is 3.13 percent. The Department estimates that Great Plains' proposed depreciation rates would increase its 2025 annual depreciation expense by approximately \$36 thousand (or 1.25 percent) relative to its currently approved depreciation rates.

Table 1
Estimated Depreciation Expense Under Current vs. Approved Rates¹

Plant Group/ Accounts	Gross Plant Balance as of Dec. 31, 2024	Approved Composite Depreciation Rate	Current Accrual	Proposed Composite Depreciation Rate	Proposed Accrual
Transmission	7,620,205	1.87%	142,790	1.86%	141,525
Distribution	79,102,460	3.12%	2,471,596	3.19%	2,526,307
General	7,429,173	3.94%	292,987	3.71%	275,979
Total	94,151,838		2,907,372		2,943,811
Increase in Depreciation Expense (\$)					36,439
Increase in Depreciation Expense (%)					1.25%

¹ Petition, Attachment A at 1-1. The Department notes that the "Current Accruals" shown in Table 1 differ from "2024 Annual Accrual" figures reported by Great Plains in Attachment A of its Petition. The "2024 Annual Accrual" figures shown Attachment A were taken from the Company's prior petition, and are equal to its currently approved depreciation rates multiplied by December 31, 2023 gross plant balances. Therefore, while the difference between the "2024 Annual Accrual"

II. PROCEDURAL BACKGROUND

May 30, 2025 Great Plains Natural Gas Company filed its 2025 Annual Depreciation Study.

III. DEPARTMENT ANALYSIS

The Department reviewed Great Plains' Petition to (1) determine whether the filing complies with applicable statutes, rules, and Commission orders, (2) evaluate the reasonableness of the Company's depreciation proposals, and (3) examine the 2024 capital asset additions, retirements, adjustments, and transfers, because these factors impact the development of depreciation rates.

The Department also reviewed the information provided by Great Plains on the Company's polyvinyl chloride (PVC) replacement program. The following is a discussion of the Department's review.

A. COMPLIANCE WITH DEPRECIATION STATUTES, RULES, AND FILING REQUIREMENTS

[Minn. Stat. § 216B.11 \(2023\)](#)² and [Minn. R. 7825.0500-7825.0900 \(2023\)](#) require public utilities to seek Commission approval of their depreciation rates and methods. Utilities must file comprehensive depreciation studies at least once every five years. Once certified by Commission order, utility depreciation rates remain in effect until the next certification. Great Plains filed its last five-year depreciation study in 2022 in Docket No. G004/D-22-262 and has filed annual updates each year since then, using a Straight-Line depreciation methodology.³

For utility rate regulation purposes, depreciation accounting is a process of allocation, not of valuation.⁴ The utility rate regulation system of accounting's goal is to distribute the cost of capital assets, less salvage, over the estimated useful life in a systematic and rational manner.⁵

Utilities must use straight-line depreciation unless the utility can justify a different method.⁶ A straight-line method takes the original cost of an asset, adjusted for net salvage, and charges this cost through equal annual charges over the asset's probable service life.⁷ The probable service life is the period of

and the "Updated Annual Accrual" shown in the Company's Petition is partially the result of updated depreciation rates, a large majority of the difference results from net plant additions during 2024. In Table 1 above, the Department attempted to roughly isolate the effects of the proposed depreciation rates by multiplying the composite depreciation rates by function from Attachment A by December 31, 2024 gross plant balances.

² Minn. Stat. § 216B.11 (2023) states, "The commission shall fix proper and adequate rates and methods of depreciation, amortization, or depletion in respect of utility property, and every public utility shall conform its depreciation, amortization or depletion accounts to the rates and method fixed by the commission."

³ Great Plains last five-year depreciation study was approved by the Commission's [Order](#) dated November 8, 2022.

⁴ [Minn. R. 7825.0500](#), subp. 7 (2023).

⁵ [Minn. R. 7825.0500](#), subp. 7 (2023).

⁶ [Minn. R. 7825.0800 \(2023\)](#).

⁷ [Minn. R. 7825.0500](#), subp. 14 (2023).

time extending from the date of the asset's installation to the forecasted date when it will be retired from service.⁸

The depreciation technique is an additional aspect of the depreciation process. It informs what measure of the asset's service life the Company uses to calculate the depreciation rate. Utilities may choose to apply an average service life (ASL) or remaining life technique. When utilities use the ASL technique to depreciate group property, the life and salvage factors, as well as the resulting depreciation rates remain unchanged between studies.⁹ With a remaining life (RL) technique¹⁰, depreciation rates change annually, as a result, changes to plant accounts' remaining lives caused by the passage of time and the impact of plant activity, such as additions and retirements. Great Plains uses a remaining life technique to depreciate its intangible, transmission, distribution, and general plant accounts, and therefore updates its depreciation rates annually.

[Minn. R. 7825.0700](#) subp. 1 (2023) requires each public utility to include in its depreciation petitions for each year since the utility's last depreciation certification:

- A. Plant in service: beginning and ending plant balances; additions and retirements; adjustments and transfers.
- B. Analysis of depreciation reserve: beginning and ending reserve balances; depreciation accruals and plant retirements; cost of removal and gross salvage value; transfers, adjustments and other debits (credits).
- C. Summary of annual depreciation accruals: plant balance; estimated net salvage; depreciation reserve; probable service life; depreciation accrual and rate.

Great Plains provided this information in Attachment A, Sections 4 and 5, of its Petition.

[Minn. R. 7825.0700](#), subp. 2 (2023) requires utilities to provide a list of any major future additions or retirements to the plant accounts the utility believes may have a material effect on the current certification results. As a result, the Department asked the Company, in Department Information Request No. 2, whether the Company has any major future additions or retirements to plant accounts that would materially impact the 2025 depreciation parameters and rates. Great Plains replied that it

⁸ [Minn. R. 7825.0500](#), subp. 10 (2023).

⁹ Under the ASL technique, a plant account's depreciation rate is solely a function of its estimated average service life and salvage rate: $\text{depreciation rate} = (1 - \text{salvage rate}) / \text{average service life}$.

¹⁰ Under a remaining life technique, a plant's depreciation rate is a function of the accounts' estimated average service life and the age-makeup of the property in each account. A change in the age-makeup of property in an account causes a change in the account's remaining life, even though the account's estimated average service life remains fixed. Additions of new property cause an account's remaining life to lengthen, as the account will become more heavily weighted toward "young" property that will be expected to remain in service for a relatively long time. Retirements of older property have the same effect. A change in an account's remaining life will result in a change in its depreciation rate. An expected average remaining life is developed for each vintage-year of plant, based on the account's selected survivor curve. The remaining life for the account is the average of each vintage-year's expected remaining life, weighted by the dollar amount of property in each vintage year.

does not anticipate any major future additions or retirements to the plant accounts that are expected to have a material effect on its depreciation parameters and rates.¹¹

Based on its review, the Department concludes Great Plains Petition complies with the applicable statutes and rules.

B. COMPLIANCE WITH PAST COMMISSION ORDERS

The Commission's March 21, 2007, [Order](#) in Docket No. G004/D-06-700 required Great Plains' future depreciation and amortization studies be effective on January 1 of the year for which the study is performed going forward. Great Plain's 2025 Depreciation Study appropriately proposes depreciation rates and parameters to be effective January 1, 2025, based on the December 31, 2024, plant, and reserve balances.

Pursuant to the Commission's Order issued for the Company's 2018 annual depreciation study,¹² Great Plains provided the following information in its Petition, as applicable:

- An analysis of the accounts affected by the Company's PVC replacement program.
- The Minnesota jurisdictional amounts for the Company's gas additions, retirements, adjustments, and transfers for plant-in-service accounts.

In accordance with the Commission Orders from the 2019¹³ and 2020¹⁴ annual depreciation studies regarding Account 390.0 General Structures and Improvements, Great Plains provided the depreciation parameters for all structures in Account 390.0 and depreciates them individually. The Company reported the details of Account 390.0 building retirements in Attachment B of its Petition.

The Commission's Order for Great Plains' 2020 annual depreciation study also stated the Company should (1) continue to exclude Account 388.0 (Asset Retirement Obligations) from future depreciation studies; (2) provide an update on the Company's PVC replacement program; and (3) in future depreciation filings use the updated format of Petition Table 2, as described in the Department's Comments, Attachment 6.¹⁵ The Department notes that the current Petition provides the information required by this Order.¹⁶

¹¹ Department Attachment 1.

¹² *In the Matter of Great Plains Natural Gas Co.'s Petition for Approval of its 2018 Depreciation Certification*, Minnesota Public Utilities Commission, Order, February 22, 2019, Docket No. G004/D-18-369, (eDockets) [20192-150567-01](#).

¹³ *Ibid.*

¹⁴ *In the Matter of Great Plains Natural Gas Co.'s Petition for Approval of its 2020 Depreciation Certification*, Minnesota Public Utilities Commission, Order, December 30, 2020, Docket No. G004/D-20-511, (eDockets) [202012-169415-01](#), at Order Point 3.

¹⁵ *In the Matter of Great Plains Natural Gas Co.'s Petition for Approval of its 2020 Depreciation Certification*, Minnesota Public Utilities Commission, Order, December 30, 2020, Docket No. G004/D-20-511, (eDockets) [202012-169415-01](#), at Order Points 4, 5, & 6.

¹⁶ Petition, (1) p. 1, (2), p. 3-2, and (3) pp. 5-43 and 5-44.

The Commission's November 8, 2022 [Order](#) for Great Plains 2022 five-year depreciation study required the Company to use the Department's revised rates, based on 2021 approved rates, for accounts 378 (Measures and Regulation Station General) and 392.2 (General Plant Transportation Equipment) in Docket No. G004/D-22-262. According to Great Plains, its annual depreciation study continues to reflect the 2021 approved rate for account 378 and the 2021 approved survivor curve for account 392.2,¹⁷

Based on its review, the Department concludes Great Plains' Petition complies with the Commission's prior orders.

C. GREAT PLAINS' DEPRECIATION METHODOLOGY

As an entity uses a capital asset in its operations, the asset contributes, directly or indirectly, to an entity's cash flows. Utilities use depreciation as a cost allocation method to distribute the capital costs of an asset over time and to approximately match the revenues generated by an asset with the cost of the asset over its useful life. An asset's depreciable life and corresponding depreciation rate should align with the period during which the asset is used and useful.

Great Plains stated that it continues to determine its asset remaining lives and corresponding depreciation rates using a straight-line method of depreciation using the Average Life Group (ALG) procedure and applied using the remaining life depreciation technique.¹⁸ The Company works with consultants to assign survivor curves,¹⁹ ASLs or ALGs,²⁰ and net salvage rates to the majority of its group property accounts.²¹ These parameters, in addition to ongoing plant activity, are the determining factors in arriving at an account's ALG remaining life. Great Plains uses its assets' ALG remaining lives in calculating the related depreciation expense and rate. The Company provided a detailed discussion of the process for developing its depreciation proposals in sections 2 and 3-1 of its Petition.

D. GREAT PLAINS' PROPOSED DEPRECIATION PARAMETERS AND RATES

D.1. Proposed Depreciation Parameters

In its Petition, Great Plains proposed no changes to the average service life, survivor curve, and net salvage assumptions (*i.e.*, depreciation parameters) approved by the Commission in Great Plain's most recent comprehensive depreciation study in Docket No. G004/D-22-262 that underlie the proposed remaining lives and depreciation rates. The Department verified that the depreciation parameters reflected in Great Plains Petition match the approved parameters. Because the Petition is an annual

¹⁷ Petition, p. 1.

¹⁸ Petition, p. 2-1.

¹⁹ Survivor curves refer to statistical curves that represent a probability distribution of the timing of asset retirements.

²⁰ The ASL/ALG is documented in the upper right corner of Section 5, Detailed Depreciation Calculations, of the Petition.

²¹ Currently, Great Plains does not assign a survivor curve to Account 378, in accordance with the [Order](#) in Docket No. G004/D-22-262. In updating the rate for this account, the Company also did not assign a salvage rate to account 378 in the Instant Petition.

depreciation update, rather than a five-year comprehensive depreciation study, the Department concludes that it is appropriate for these depreciation parameters to remain unchanged.

D.2. Proposed Remaining Lives and Depreciation Rates

A plant account's remaining life is generally a function of its underlying ASL/ALG, survivor curve, and the age of property in the account, which is tracked by vintage (year of capitalization). Even when an account's assumed ASL/ALG does not change, plant additions can lengthen the account's remaining life, as the new property will be expected to have a longer remaining life than older property in the account. Similarly, retirements of older property in an account can lengthen the remaining life of the account, as the weighted average age of the property would decrease. Barring a change in the age-makeup of property in an account, its remaining life would be expected to decrease by approximately one year between annual depreciation studies if the account's ASL/ALG does not change.

Attachment A, Section 5 of the Company's Petition contains the detailed calculations of each plant account's remaining life and depreciation rate, as reported in Attachment A, Table 1. The Department reviewed these calculations and concludes that they are reasonable and therefore recommends that the Commission approve them.

D.3. Proposed Composite Depreciation Rates Analysis

Table 2 summarizes, by major plant category, the composite depreciation rates proposed for 2025 as well as the accrual of \$2,943,751²² that would result from applying those depreciation rates to the Company's December 31, 2024 plant balances. This 2025 annual depreciation expense figure is a theoretical estimate for illustrative purposes only, and does not reflect the actual depreciation expense that Great Plains will book for 2025. The Company calculates actual depreciation expense on a monthly, not annual, basis, and the 2025 plant activity (additions, retirements, transfers, and adjustments) will impact the actual annual depreciation expense for 2025. Table 2 also reports comparable information from Great Plains prior depreciation filing (*i.e.*, the depreciation rates proposed and the accrual that would have resulted from applying those depreciation rates to the Company's December 31, 2023 plant balances). The Department notes that while composite depreciation rates provide a succinct and consolidated view of Great Plains' depreciation proposals, the composite rates are informed by the individual account depreciation parameters as proposed in Table 1 of the Petition.²³

²² Petition, Table 1, p. 1-1, "Updated Annual Accrual" total.

²³ Petition, Table 1, p. 4-2, individual account depreciation rates are shown in Table 1 under the column titled "Rate".

Table 2
Summary of Depreciation Expense at Current and Proposed Rates²⁴

Plant Group	Original Cost	Composite Depreciation				Proposed % Increase (B-A) / (A)	Proposed \$ Increase (D-C)
		2024 Approved Rate (A)	Amount (C)	2025 Proposed Rate (B)	Amount (D)		
Transmission	\$ 7,620,205	1.87%	\$ 140,801	1.86%	\$ 141,525	0.51%	\$ 724
Distribution	\$ 79,102,460	3.12%	\$ 2,168,883	3.19%	\$ 2,526,307	16.48%	\$ 357,424
General	\$ 7,429,173	3.94%	\$ 274,603	3.71%	\$ 275,919	0.48%	\$ 1,316
All Plant	\$ 94,151,838	3.08%	\$ 2,584,287	3.13%	\$ 2,943,751	13.91%	\$ 359,464

As shown, Great Plains' estimated 2025 accrual is approximately \$360,000 higher than last year. However, as indicated by Table 1 above, most of this increase is a result of increasing plant balances, not increasing depreciation rates.

The Department notes that, because depreciation expense is established in a general rate case, Great Plains' ratepayers will pay the currently established rates determined in its most recent rate case, regardless of the Company's recorded for accounting purposes 2025 depreciation expense amount. The Department emphasizes that the Commission's determinations in depreciation proceedings are for accounting purposes only and are not determinations for purposes of rates.

Based on its review, the Department recommends that the Commission approve Great Plains' proposed depreciation rates.²⁵

E. GREAT PLAINS 2024 DEPRECIATION CALCULATIONS AND THE CORRESPONDING CAPITAL ASSET ADDITIONS, RETIREMENTS, TRANSFERS AND ADJUSTMENTS

Great Plains provided a summary of its 2024 plant activity in the Table 2 of the Petition. The following sections highlight select information around these 2024 transactions.

Table 3
Plant Balance Activity Summary, January 2024 – December 2024²⁶

Account	Beginning Balance	Additions	Retirements	Transfers	Adjustments	Ending Balance
Distribution	\$ 69,417,232	\$ 11,072,888	\$ (1,523,915)	\$ (37,216)	\$ 176,449	\$ 79,105,438
General	\$ 7,011,686	\$ 774,186	\$ (326,806)	\$ 22,590	\$ (3,824)	\$ 7,477,831
Intangible	\$ 3,738,429	\$ 109,308	\$ -	\$ -	\$ -	\$ 3,847,737
Transmission	\$ 7,519,649	\$ -	\$ -	\$ 106,141	\$ -	\$ 7,625,790
Total	\$ 87,686,996	\$ 11,956,382	\$ (1,850,722)	\$ 91,514	\$ 172,625	\$ 98,056,796

²⁴ Petition, Table 1, p. 1-1.

²⁵ Petition, Table 1, p. 1-1.

²⁶ Petition, Table 2, p. 5-43.

The December 2024 gross plant balance is \$10.37 million, or 11.8 percent, higher than the January 2024 beginning balance.²⁷

E.1. Plant Balance and Depreciation Provisions Over Time

Table 3 summarizes the Company's plant-in-service and depreciation provisions from 2020 to 2024. The data in Table 3 was retrieved from Great Plains' prior depreciation studies. As shown, the Company's overall reserve ratio has decreased steadily over the last five years, from 47.06% in 2020 to 40.88% in 2024. This decrease is consistent with the Company's increasing investments in the system, as evidenced by its increasing gross plant balance.

Table 4
Great Plains Plant Balance and Depreciation Reserve Summary 2020 - 2024

Year	Year-End Plant Balance ²⁸	Increase in Plant Balance (\$)	Annual Depreciation Expense Books ²⁹ (\$)	Calculated Composite Depreciation Rate ³⁰	Year-End Depreciation Reserve Balance ³¹	Increase in Depreciation Reserve Balance	Year-End Depreciation Reserve Ratio ³²
2024	\$98,056,796	\$10,369,800	\$2,851,575	2.91%	\$40,087,830	\$1,100,596	40.88%
2023	\$87,686,996	\$5,510,982	\$2,612,428	2.98%	\$38,987,234	\$2,257,823	44.46%
2022	\$82,176,014	\$6,043,720	\$2,422,711	2.95%	\$36,729,411	\$1,355,152	44.70%
2021	\$76,132,294	\$4,191,105	\$3,220,291	4.23%	\$35,374,259	\$1,518,388	46.46%
2020	\$71,941,189	\$3,425,574	\$3,083,610	4.29%	\$33,855,871	\$1,366,741	47.06%

E.2. Depreciation Expense Provision Calculations for 2024

As part of its review, the Department conducted a high-level analysis to determine if the 2024 depreciation expense provisions Great Plains reported in Table 3C are reasonable in the context of the 2024 plant-in-service activity, asset remaining lives, and the 2024 approved depreciation rates.³³ The Department calculated an implied depreciation rate for each account using the reported accruals and

²⁷ Petition, Table 2: (Ending balance (\$98,056,796) – Beginning balance (\$87,686,996)) / (Beginning Balance) = 11.8%.

²⁸ Last year's filing & Petition, Table 2, p. 5-43.

²⁹ Last year's filing & Petition, Table 3, p. 5-45.

³⁰ Calculation (Annual Depreciation Expense Books/Year-End Plant Balance).

³¹ Last year's filing & Petition, Table 3C, p. 5-50.

³² Calculation (Year-End Depreciation Reserve Balance/Year-End Plant Balance).

³³ Petition, Table 3C, p. 5-50.

plant balances, and compared those implied rates to the Company's approved rates for 2024. Based on this review, the Department concludes the 2024 depreciation expense provisions are reasonable.

E.3. Great Plains' Building Retirements

As shown in Attachment B of the Petition, Great Plains reported \$4,994 in 2024 building-related retirements in Account 390.0 – General Structures and Improvements. The Department reviewed these transactions for reasonableness and does not have any concerns.

E.4. Update on PVC Replacement Program

As required, Great Plains provided an update on its PVC replacement program on page 3-2 of its Petition and noted that the Company will continue to monitor the program and provide an update in future depreciation studies.

Great Plains continues to experience an increased level of investment in its mains and services due to the PVC replacement program. According to Great Plains, it has replaced approximately 61% of total mains and 64% of total services that are planned to be replaced. The remaining life of Account 376 is largely dependent on the PVC replacement program and has increased marginally from 38 years to 39.4 years in the current study.

The Department recommends that the Commission continue to require Great Plains to provide an update on the Company's PVC replacement program in its future depreciation studies.

IV. DEPARTMENT RECOMMENDATIONS

After review, the Department concludes that Great Plains depreciation Petition is reasonable and complies with applicable statutes, rules, and prior Commission orders. The Department recommends the Commission approve the Petition.

- Approve Great Plains proposed depreciation parameters as summarized in Table 1 of our comments and provided in detail in the Company's Attachment A, effective January 1, 2025.
- Require Great Plains to continue to exclude Account 388.0 – Asset Retirement Obligations from its future depreciation studies.
- Require Great Plains to continue to provide an update on the Company's PVC replacement program in its future depreciation studies.
- Require Great Plains to file its next annual depreciation docket updated based on its annual review of remaining lives, salvage values, and vintage-year plant retirements and additions by June 1, 2026.
- Determine the depreciation rates approved herein are for accounting purposes and neither bind nor preclude modified depreciation in a general rate case proceeding.



Minnesota Department of Commerce
85 7th Place East | Suite 280 | St. Paul, MN 55101
Information Request

Docket Number: G004/D-25-243
Requested From: Great Plains Natural Gas Co.
Type of Inquiry: Financial

☐ Nonpublic ☒ Public
Date of Request: 6/25/2025
Response Due: 7/7/2025

SEND RESPONSE VIA EMAIL TO: Utility.Discovery@state.mn.us as well as the assigned analyst(s).

Assigned Analyst(s): Craig Addonizio, Justin Taylor

Email Address(es): craig.addonizio@state.mn.us, justin.taylor@state.mn.us

Phone Number(s): 651-539-1818, 651-539-1031

ADDITIONAL INSTRUCTIONS:

Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy.

Request Number: 2
Topic: Anticipated Additions/Retirements
Reference(s): Minn. R. 7825.0700, Subp. 2.B.

Request:

Is Great Plains aware of any potential major future additions or retirements to its plant accounts that it believes may have a material effect on its depreciation parameters and rates?

Response:

Great Plains does not anticipate any major future additions or retirements to the plant accounts that are expected to have a material effect on its depreciation parameters and rates.

To be completed by responder

Response Date: July 7, 2025
Response by: Travis Jacobson, Vice President of Regulatory Affairs
Email Address: travis.jacobson@mdu.com
Phone Number: 701.222.7855