

August 9, 2021

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G004/M-21-272

Dear Mr. Seuffert:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

Great Plains Natural Gas Company's (Great Plains) Annual Report and Petition for Approval of Recovery for Gas Utility Infrastructure Costs and Revised Adjustment Factors for 2021.

The Petition was filed on April 15, 2021 by:

Travis R. Jacobson
Director of Regulatory Affairs
Great Plains Natural Gas Co.
400 North 4th Street
Bismarck, ND 58501

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve Great Plains Natural Gas Company's petition**. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ MARK JOHNSON
Financial Analyst Coordinator

MJ/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G004/M-21-272

I. SUMMARY OF FILING

On April 15, 2021, Great Plains Natural Gas Company (Great Plains or the Company) submitted a filing (Petition) requesting that the Minnesota Public Utilities Commission (Commission) approve the Company's updated Gas Utility Infrastructure Costs (GUIC) rider and revised adjustment factors for 2021. Great Plains filed its Petition pursuant to Minnesota Statutes, § 216B.1635 and the Commission's August 3, 2020 *Order* in Docket No. G004/M-20-422. The Company proposes to recover a \$246,491 in net revenue requirements through its GUIC rider for the period from October 2021 through September 2022, with rates effective October 1, 2021.¹

Great Plains requests approval of its 2021 annual revenue requirements, 2020 tracker balance, and resulting adjustment factors for its Minnesota Jurisdiction. A summary of Great Plains proposed revenue requirements and GUIC rates is provided below in tables 1 and 2, respectively:

Table 1: Great Plains' Proposed Annual Revenue Requirements²

Under/(Over) Recovery – December 2019	\$933,138
Actual Recoveries: October – December 2020	(\$212,331)
Total Under Recovery as of December 31, 2020	\$720,807
Projected 2021 Revenue Requirements	\$191,431
Estimated Recoveries: January – September 2021	(\$665,746)
Total Required Recovery: October 2021 – September 2022	\$246,491

¹ Petition, page 1-2.

² Petition, page 1 and Exhibit D, page 1 of 8.

Table 2: Great Plains’ Proposed GUIC Rates (\$/dekatherm) to Be Effective October 1, 2021 to September 30, 2022³

	Proposed Rate	Current Rate	Increase (+) or Decrease (-)
<u>Sales Customers</u>			
Residential	\$0.0962	\$0.3041	-\$0.2079
Firm General	\$0.1127	\$0.1803	-\$0.0676
Grain Drying ⁴	\$0.1614	N/A	N/A
Small Interruptible	\$0.0312	\$0.1788	-\$0.1476
Large Interruptible	\$0.0087	\$0.0975	-\$0.0888
<u>Transportation Customers</u>			
Small Interruptible	\$0.0522	\$0.0350	+\$0.0172
Large Interruptible	(\$0.0413)	\$0.0865	-\$0.1278

The full tariff modifications for which Great Plains is requesting approval are shown in Exhibit C of the Petition.

II. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed Great Plains’ Petition to (1) determine whether the Petition complies with applicable statutes and Commission orders and (2) evaluate the reasonableness of the Company’s proposals. The following sections discuss the background of Great Plains’ GUIC rider and the Department’s review of the instant Petition.

A. BACKGROUND ON GREAT PLAINS’ GUIC RIDER

On October 6, 2017, the Commission approved Great Plains request to establish a GUIC rider under the GUIC statute, Minnesota Statutes, § 216B.1635.⁵ The Company’s GUIC tariff is a per-dekatherm charge to ratepayers through which Great Plains recovers the cost of replacing distribution pipelines pursuant to the Pipeline and Hazardous Materials Safety Administration’s (PHMSA’s) regulations.⁶ Specifically, Great Plains has consistently requested approval to recover costs through its GUIC rider for projects

³ Petition, page 2.

⁴ New rate class for grain drying authorized in Great Plains’ 2019 Rate Case in Docket No. G004/GR-19-511. Grain drying customers were previously included in with Small or Large Interruptible customers.

⁵ Commission’s October 6, 2017 *Order* in Docket No. G004/M-16-1066.

⁶ PHMSA sets standards governing the safety and reliability of natural gas distribution infrastructure.

that replace polyvinyl chloride (PVC) pipe mains and service lines;⁷ these replacement projects fall under the Company's PHMSA-mandated Distribution Integrity Management Program (DIMP).⁸ Great Plains did not include any Transmission Integrity Management Program (TIMP) projects in its proposed GUIC. Great Plains' proposed GUIC rider recovery is limited to projects in the Company's Minnesota service area.

In Great Plains' previous GUIC filing in Docket No. G004/M-19-273, the Commission approved the Company's proposal to suspend the GUIC rider adjustment rates, effective January 1, 2020, in order to move GUIC recovery out of the rider and into the interim rates of Great Plains' most recently filed rate case, Docket No. G004/GR-19-511.⁹ The purpose of suspending the rider as of the effective date of the Company's interim rates in Docket No. G004/GR-19-511 is to prevent the Company from double recovering gas utility infrastructure costs. The Commission also acknowledged that in the Company's April 2020 GUIC rider filing, Great Plains would true-up any under-or over-recovery in the GUIC tracker balance as of December 31, 2019.¹⁰

On August 3, 2020, the Commission issued its Order in Docket No. G004/M-20-422, approving the Company's 2019 GUIC true-up balance of \$933,138 and revised GUIC rider adjustment factors, effective October 31, 2020.¹¹

B. COMPLIANCE WITH MINNESOTA STATUTES, § 216B.1635

Minn. Stat. § 216B.1635 governs utility GUIC rider recovery and the associated filings. Exhibit A of Great Plains' Petition is a matrix with references showing where in its filing the Company included the statutorily required information. Based on our review, the Department concludes that the Company's Petition complies with the relevant specifications of Minn. Stat. § 216B.1635, which are discussed in detail in the following sections 1 – 6.

1. GUIC Rider Project Eligibility – Minnesota Statutes, § 216B.1635, Subdivision 1

Minn. Stat. § 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs that are not included in the gas utility's rate base in its most recent general rate case, and that are incurred to replace or modify natural gas facilities as needed for government public work projects, such as road construction, or as required by federal or state agencies. Projects eligible for cost recovery through a GUIC rider are generally not those projects undertaken to increase a utility's revenues by connecting

⁷ Great Plains requested GUIC rider recovery for Distribution Integrity Management Program (DIMP) projects in Docket Nos. G004/M-16-1066, G004/M-17-858, G004/M-18-282, G004/M-19-273, and G004/M-20-422.

⁸ 49 Code of Federal Regulations, Part 192, Subpart P, requires gas utilities to design and maintain a DIMP.

⁹ Commission's November 22, 2019 *Order*, page 3 in Docket No. G004/M-19-273.

¹⁰ *Id.*, page 2.

¹¹ Commission's August 3, 2020 *Order* in Docket No. G04/M-20-422.

project infrastructure directly to new ratepayers or those representing a “betterment,” unless required by a government entity.¹²

As explained on page 2 of the Petition, all previous GUIC projects from 2016-2019 were included in Great Plains’ 2019 Rate Case in Docket No. G004/GR-19-511. As such, the current Petition includes two new 2021 infrastructure projects to replace PVC pipe mains and services in Minnesota. These projects and their related costs are explained and shown in Exhibit B of the Petition. According to Great Plains, these two projects are being bid through a Request for Proposal (RFP) process.¹³ The costs and footages included for recovery are based on the quantities included in the RFP.¹⁴

The Department examined whether the GUIC costs/projects for which Great Plains is requesting recovery satisfy the definitional requirements in the GUIC statute, subdivision 1, paragraphs (b) and (c), which state:

(b) "Gas utility infrastructure costs" or "GUIC" means costs incurred in gas utility projects that:

- (1) do not serve to increase revenues by directly connecting the infrastructure replacement to new customers;
- (2) are in service but were not included in the gas utility's rate base in its most recent general rate case, or are planned to be in service during the period covered by the report submitted under subdivision 2, but in no case longer than the one-year forecast period in the report; and
- (3) do not constitute a betterment, unless the betterment is based on requirements by a political subdivision or a federal or state agency, as evidenced by specific documentation, an order, or other similar requirement from the government entity requiring the replacement or modification of infrastructure.

(c) "Gas utility projects" means:

- (1) replacement of natural gas facilities located in the public right-of-way required by the construction or improvement of a highway, road, street, public building, or other public work by or on behalf of the United States, the state of Minnesota, or a political subdivision; and

¹² Minn. Stat. § 216B.1635, Subdivision 1(b), (c).

¹³ Petition Exhibit B, page 3.

¹⁴ *Id.*

- (2) replacement or modification of existing natural gas facilities, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure that is required by a federal or state agency.

Great Plains' GUIC tariff echoes these definitions, stating, under "Applicability," that the tariff "constitutes provision to recover the costs of investment and associated expenses for the replacement of natural gas distribution facilities required to comply with state and federal pipeline safety programs."¹⁵

The Department reviewed Great Plains' description of the costs/projects, particularly the information provided in Exhibit B of the Company's Petition, and confirmed that the costs/projects satisfy the GUIC Statute's definitional requirements. The costs for which Great Plains is requesting recovery are limited to the DIMP capital costs for replacing PVC distribution mains and services. Great Plains' Petition also clarifies that the costs are limited to projects incurred for Great Plains' Minnesota customers.

2. Timing of GUIC Rider Filing – Minnesota Statutes, § 216B.1635, Subdivision 2

Great Plains filed its Petition on April 15, 2021, and requests an effective date of October 1, 2021 for the proposed adjustment rates.¹⁶ The timing of the Company's GUIC filing and its proposed rate schedule implementation date complies with Minn. Stat. § 216B.1635, Subdivision 2, which requires that a utility's GUIC petition be filed at least 150 days before the effective date of the proposed rates.

3. Gas Infrastructure Project Plan - Minnesota Statutes, § 216B.1635, Subdivision 3

Minn. Stat. § 216B.1635, Subdivision 3 requires that any gas utility infrastructure project plan submitted under Subdivision 2 include the proposed projects' description and scope as well as the estimated costs and expected in-service dates. Great Plains provided this information in Exhibit B of its Petition. The Department reviewed the information contained therein and concludes that Great Plains' Petition satisfies the statutory requirements under Minn. Stat. § 216B.1635, Subdivision 3.

4. GUIC Rider Filing Requirements – Minnesota Statutes, § 216B.1635, Subdivision 4

As stipulated by Minn. Stat. § 216B.1635, Subdivision 4 (1), the instant Petition is the first and only Great Plains GUIC rider filing thus far in 2021. In compliance with the requirements outlined in Minn.

¹⁵ See: <https://www.gpng.com/wp-content/uploads/PDFs/Rates-Tariffs/Minnesota/MNGUIC.pdf>

¹⁶ Petition, page 6.

Stat. § 216B.1635, Subdivision 4, (2), (i) – (ix),¹⁷ Great Plains provided the following information in its Petition:

- (i) As discussed in the preceding section, the Company provided information, as applicable, under Minn. Stat. § 216B.1635, Subdivision 3.¹⁸
- (ii) The federal PHMSA is the governmental entity that mandates gas utility DIMPs, and the purpose of the DIMP-related projects included in Great Plains' GUIC rider is to replace PVC pipe main and service lines.¹⁹
- (iii) Great Plains provided a description of its 2021 GUIC projects and their related cost in Exhibit B of its Petition. Great Plains stated that there is no salvage associated with its 2021 PVC mains and services projects included in the Petition.²⁰
- (iv) Since Great Plains included all previous GUIC project costs in its 2019 Rate Case, there are no difference between estimated and actual costs for these projects to compare in the current Petition. According to Great Plains, the Company ensured that it incurred project costs reasonably and prudently by using a competitive bidding process for contracted projects as well as monitoring and determining the cause of cost variances from project budgets.²¹
- (v) Petition Exhibit E provides calculations showing that the proposed adjustment rates are consistent with the rate design revenue allocation approved in Great Plains' rate case in Docket No. G004/GR-19-511. The Company explained that its proposed adjustment rates are consistent with the public interest, because Great Plains prudently incurred project costs, and the projects provide safety and service reliability benefits to ratepayers.²²
- (vi) Great Plains did not introduce new, forecasted costs for future projects, and, therefore, the Petition did not include the magnitude and timing of known future projects that the Company could seek to recover through the GUIC rider.
- (vii) Petition Exhibit F shows that the Company's proposed revenue requirement of \$246,491 is 1.8. percent of the base revenue amount approved in Great Plains' general rate case in Docket No. G004/GR-19-511, exclusive of gas purchase costs and transportation charges.

¹⁷ The following bulleted list indicates which part, (i) – (ix), of Minnesota Statutes § 216B.1635, Subdivision 4, (2) is addressed by the information provided by Great Plains in its Petition.

¹⁸ Petition Exhibit B, pages 2-3 provides the description, scope, estimated costs, and in-service year of Great Plains' 2021 GUIC projects.

¹⁹ Petition, pages 3-4.

²⁰ Petition Exhibit B, page 3

²¹ Petition Exhibit B, page 3.

²² Petition, page 8.

- (viii) Petition Exhibit F shows that the Great Plains' estimated 2021 GUIC capital expenditures of \$2,777,264 are 46.7 percent of the Company's capital expenditure amount approved in its general rate case, Docket No. G004/GR-19-511.
- (ix) The Company explained in Petition Exhibit F that its last approved general rate case was filed September 27, 2019 in Docket No. G004/GR-19-511 and the capital costs included in the instant filing were not included for recovery through that rate case.

5. Prudence and Reasonableness of Costs – Minnesota Statutes, § 216B.1635, Subdivision 5

The Company explained that its proposed GUIC rates are consistent with the public interest, because Great Plains prudently incurred project costs, and the projects provide safety and service reliability benefits to ratepayers.²³ In addition, Great Plains stated that the new 2021 projects included for recovery are being bid through an RFP process,²⁴ and that the costs and footages included for recovery are based on the quantities included in the RFP.²⁵

In Docket No. G004/M-19-273, the Company supplied the Department with details around its competitive request for proposal (RFP) bidding process, which provided a basis for Great Plains' 2019 GUIC rider project and cost forecasts. Based on Great Plains' description of its 2019 RFP process, the Department concluded that the Company had proposed rider recovery at the "lowest reasonable and prudent cost to ratepayers," as required by Minn. Stat. § 216B.1635, Subdivision 5.²⁶

Consistent with our prior conclusions in Docket Nos. G004/M-19-273 and G004/M-20-422, the Department continues to conclude that Great Plains' use of a competitive RFP bidding process for its GUIC projects provides sufficient support for the prudence and reasonableness of the Company's gas utility infrastructure costs incurred.

6. Rate of Return – Minnesota Statutes, § 216B.1635, Subdivision 6

As required by Minn. Stat. § 216B.1635, Subdivision 6, the Company used the rate of return most recently approved by the Commission to calculate its rates. Specifically, Great Plains used a 7.032 percent rate of return, approved in Docket No. G004/GR-19-511, to calculate its proposed rates in the instant Petition.²⁷

²³ Petition, page 8.

²⁴ Petition Exhibit B, page 3.

²⁵ *Id.*

²⁶ Department's September 13, 2019 Comments in Docket No. G004/M-19-273, pages 11 – 12.

²⁷ Petition Exhibit D, pages 3, 4, and 8.

C. COMPLIANCE WITH PRIOR COMMISSION ORDERS

Based on our review, the Department concludes that Great Plains' instant filing complies with prior Commission orders as required. The Department discusses the following:

- Great Plains filed its Petition on April 15, 2021 for a 2020 true-up of its GUIC rider actual costs and tracker revenues for the 12 months ending December 31, 2020; the timing of the instant filing and true-up mechanism meet the GUIC filing and true-up timing approved by the Commission in Docket No. G004/M-17-858.²⁸
- In Docket No. G004/M-18-282, the Commission required that Great Plains include in its future GUIC filings the Company's excess Accumulated Deferred Income Taxes (ADIT) balance and any corresponding amortization of the excess ADIT to be refunded to customers.²⁹ The Company stated on page 6 of its Petition that "The 2017 Tax Cuts and Jobs Act (TCJA) does not impact the current GUIC as the Company no longer has a accumulated deferred tax balance that was based on an income tax rate that is different than the present income tax rate; therefore there are no excess deferred income taxes."
- The Commission ordered in Docket No. G004/M-19-273 that Great Plains suspend its GUIC rider coincident with the January 1, 2020 effective date for the Company's interim rates in the general rate case proceeding under Docket No. G004/GR-19-511.³⁰ The instant filing demonstrates that Great Plains suspended its GUIC rider collections as previously approved.
- Pursuant to the Commission's Order In Docket No. G004/GR-19-511, Great Plains' customer classes were revised to add the newly established Grain Drying customer class in addition to including Margin Sharing Customer's volumes and revenues in the Large Interruptible – Transport class.³¹ As shown in Exhibits C, E, and G of the Petition, Great Plains' included the new Grain Drying customer class to its GUIC rider. In addition, as show in Exhibit E, footnote no. 5, Great Plains' included the Margin Sharing Customer in its GUIC rider.

D. DEPARTMENT ANALYSIS OF GREAT PLAINS' CURRENT GUIC RIDER RECOVERY PROPOSALS

Great Plains proposes in the instant Petition to recover through its GUIC rider a revenue requirement of \$246,491, which reflects the under-recovered balance in the Company's GUIC tracker as of December 31, 2020. The following table summarizes Great Plains' proposed revenue requirements for recovery in the GUIC rider:

²⁸ Commission's March 21, 2018 *Order* in Docket No. G004/M-17-858.

²⁹ Commission's February 12, 2019 *Order* in Docket No. G004/M-18-282.

³⁰ Commission's November 22, 2019 *Order* in Docket No. G004/M-19-273.

³¹ Petition, page 7.

Table 3: Great Plains’ Proposed Annual Revenue Requirements³²

Under/(Over) Recovery – December 2019	\$933,138
Actual Recoveries: October – December 2020	(\$212,331)
Total Under Recovery as of December 31, 2020	\$720,807
Projected 2021 Revenue Requirements	\$191,431
Estimated Recoveries: January – September 2021	(\$665,746)
Total Required Recovery: October 2021 – September 2022	\$246,491

In order to recover the proposed \$246,491 revenue requirement shown in the preceding Table 3, Great Plains requests Commission approval of new adjustment rates for the Company’s GUIC tariff. These new rates are summarized in the following table:

Table 4: Great Plains’ Proposed GUIC Rates (\$/dekatherm) to Be Effective October 1, 2021 to September 30, 2022³³

	Proposed Rate	Current Rate	Increase (+) or Decrease (-)
<u>Sales Customers</u>			
Residential	\$0.0962	\$0.3041	-\$0.2079
Firm General	\$0.1127	\$0.1803	-\$0.0676
Grain Drying ³⁴	\$0.1614	N/A	N/A
Small Interruptible	\$0.0312	\$0.1788	-\$0.1476
Large Interruptible	\$0.0087	\$0.0975	-\$0.0888
<u>Transportation Customers</u>			
Small Interruptible	\$0.0522	\$0.0350	+\$0.0172
Large Interruptible	(\$0.0413)	\$0.0865	-\$0.1278

If the Commission approves the revenue requirement and tariff changes proposed in the instant Petition, Great Plains proposes to notify its customers about newly authorized GUIC adjustment rates with the bill insert information provided in Petition Exhibit G.

³² Petition, page 1 and Exhibit D, page 1 of 8.

³³ Petition, page 2.

³⁴ New rate class for grain drying authorized in Great Plains’ 2019 Rate Case in Docket No. G004/GR-19-511. Grain drying customers were previously included in with Small or Large Interruptible customers.

1. 2021 Revenue Requirement and 2020 GUIC True-up

The Department reviewed Great Plains' proposed 2021 revenue requirement calculations and 2020 true-up as shown in Exhibit D of the Petition. Based on our review, the Department concludes that Great Plains' calculations appear reasonable and consistent with prior GUIC rider filings. As a result, the Department recommends that the Commission approve Great Plains' proposed net revenue requirements of \$246,491.

2. Calculation of Proposed Adjustment Rates

The Department examined Petition Exhibit E, which provides the supporting calculations for the Company's proposed adjustment rates by customer class. Consistent with its prior GUIC rider filings, Great Plains factored the rate class revenue allocation approved in Docket No. G004/GR-19-511 and projected dekatherm sales into its calculation of the proposed GUIC adjustment rates. Based on our review of the information provided by Great Plains, the Department concludes that the adjustment rate calculations are mathematically accurate and that the revenue allocation and dekatherm sales assumptions underlying the proposed GUIC adjustment rates are reasonable. The Department recommends that the Commission approve Great Plains' proposed GUIC adjustment rates.

3. Customer Notification

Great Plains proposes to include as a bill insert the customer notification shown in Petition Exhibit G. The proposed language in this notice is consistent with previous customer bill notices. The Department concludes that the language in the Company's proposed customer notice, as outlined in Petition Exhibit G, is reasonable, and we recommend that the Commission approve Great Plains' proposed language for the relevant customer bill insert.

III. CONCLUSION AND RECOMMENDATIONS

Based on our review, the Department concludes that Great Plains' Petition complies with the applicable statutes and Commission orders, and that the Company's GUIC proposals in the instant docket are reasonable. Therefore, the Department recommends that the Commission take the following action:

- Find that Great Plains' Petition complies with Minnesota Statutes, § 216B.1635.
- Approve Great Plains' proposed 2021 revenue requirements, 2020 GUIC true-up, and resulting revenue requirement of \$246,491.
- Approve Great Plains' proposed GUIC adjustment rates, effective October 1, 2021.
- Within 10 days of the Commission's order in the instant docket, require that Great Plains submit a compliance filing that includes (1) the GUIC tariff sheet, updated with the newly

authorized adjustment rates and their approved effective date and (2) the final version of the GUIC customer notice that Great Plains plans to include as an bill insert following Commission approval of new GUIC adjustment rates.

/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, 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.

**Minnesota Department of Commerce
Comments**

Docket No. G004/M-21-272

Dated this 9th day of August 2021

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-272_M-21-272
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_21-272_M-21-272
Travis	Jacobson	travis.jacobson@mdu.com	Great Plains Natural Gas Company	400 N 4th St Bismarck, ND 58501	Electronic Service	Yes	OFF_SL_21-272_M-21-272
Brian	Meloy	brian.meloy@stinson.com	STINSON LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	Yes	OFF_SL_21-272_M-21-272
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_21-272_M-21-272
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_21-272_M-21-272