

March 23, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101

Re: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G-004/PA-18-103

Dear Mr. Wolf:

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

Application of Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for approval of a Corporate Reorganization Under Minn. Stat. § 216B.50.

The Letter was filed on January 31, 2018. The petitioner is:

Brian M. Meloy
Stinson Leonard Street
50 South 6th Street, Suite 2600
Minneapolis, MN 55402

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve** the petition.

Sincerely,

/s/ EILON AMIT
Statistical Analyst

EA/ja
Attachment

Before the Minnesota Public Utilities Commission

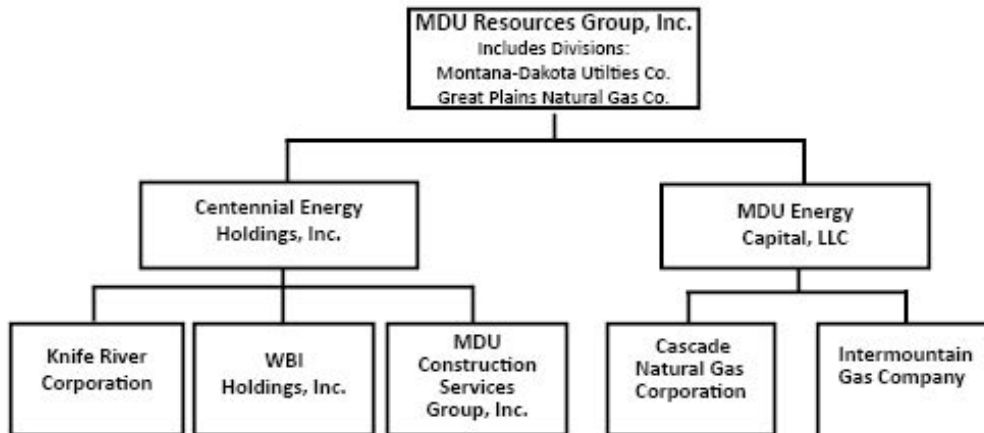
**Comments of the Minnesota Department of Commerce
Division of Energy Resources**

Docket No. G-004/PA-18-103

I. BACKGROUND

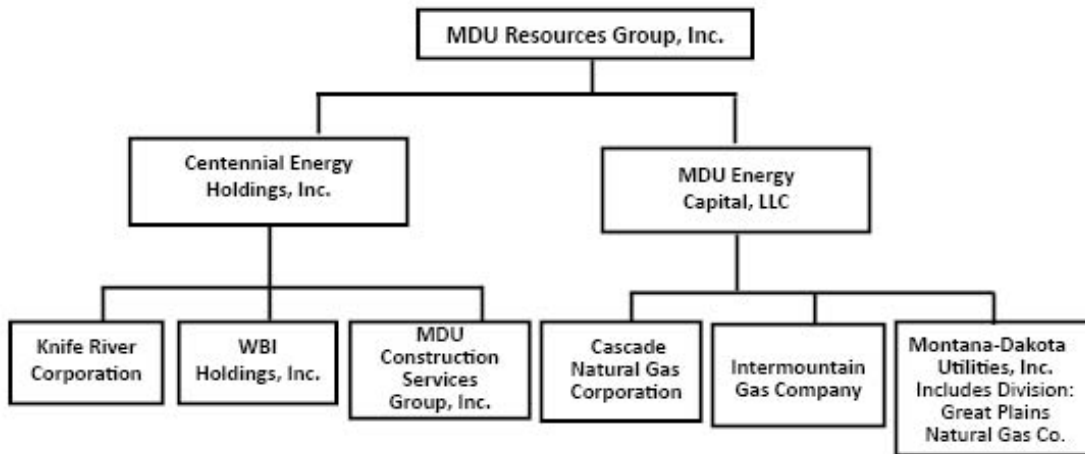
At the present, Great Plains Natural Gas Co. (GPNG) is a Division of MDU Resources Group, Inc. (MDU), providing natural gas distribution services in Minnesota. The following diagram shows the current GPNG corporate structure.

FIGURE 1
Existing Structure



Under the newly proposed structure, MDU will become the holding company of all the distribution utility operating companies, including a stand-alone utility subsidiary named Montana-Dakota Utilities Co. (Montana-Dakota); and the operations of Great Plains will be conducted as a Division of Montana-Dakota. Great Plains indicates there will be no change in the manner in which utility service is provided to Minnesota customers by Great Plains. The following diagram shows the MDU restructuring.

FIGURE 2
Proposed Structure



II. ANALYSIS

Minn. Stat. § 216B.50 governs the Commission's review of this Application. Minn. Stat. § 216B.50, subd. 1 provides, in relevant part, that:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility or transmission company operating in this state, without first being authorized to do so by the commission. Upon the filing of an application for the approval and consent of the commission, the commission shall investigate, with or without public hearing. The commission shall hold a public hearing, upon such notice as the commission may require. If the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing. In reaching its determination, the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated....

Minn. Stat. § 216B.50 specifies the legal standard for approval of a merger as follows: "the proposed action is consistent with the public interest." The Commission has determined that the public interest standard "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest" as indicated in the statute.

FILING REQUIREMENT

Certain rules govern the MDU filing. They include:

(a) Minn. R. 7829.1300, Miscellaneous Filing. MDU has met all the filing requirements of Minn. R. 7829.1300.

(b) Minn. R. 7825.1700, Filing Requirement for Capital Structure Approval. Among the requirements of this rule is the provision that a public utility "...make a capital structure filing concurrently with its petition to approve a merger/reorganization if consideration for such a transaction is a security or securities"

MDU states that no MDU Resources securities will be issued to consummate the plan as part of the paper transaction; that existing MDU Resources shares will become the new shares in the holding company; and that no Great Plains securities will be issued or affected by the reorganization. The company indicates that under the new proposed restructure, Great Plains maintains the same capital structure, and the same cost of equity and long-term debt. As a result, MDU believes the capital structure filing requirement of Minn. R. 7825.1700 to be inapplicable to the proposed restructuring plan. MDU has requested that the Commission waive the capital structure filing requirement. The Department agrees with this request.

In the event the Commission deems Minn. R. 7825.1700 to be applicable in its entirety, MDU has requested a variance to the capital structure filing requirement provision, indicating that such a requirement presents an excessive burden to Great Plains, and furthermore that such a variance would not conflict with any statutory provisions or adversely affect the public interest. The Department agrees with the Company's request.

Minn. R. 7825.1800.A provides:

A. Petitions for approval of a merger or of a consolidation shall be accompanied by the following: the petition signed by all parties; all information, for each public utility, as required in parts 7825.1400 and 7825.1500; the detailed reasons of the petitions and each party for entering into the proposed transaction, and all facts warranting the same; the full terms and conditions of the proposed merger or consolidation.

The Application addresses MDU Resources/Great Plains' reasons for the corporate reorganization and the facts warranting approval of the transaction. A general description of the proposed restructuring steps, including formation of new entities and transfer of assets, is included in the Application's Exhibit A.

Great Plains has requested that the Commission vary the remaining provisions of Minn. R. 7825.1800 as to the requirement to file information required by Minn. R. 7825.1400 and Minn. R. 7825.1500 stating: (1) they are not pertinent to the Commission's determination required on the Restructuring Plan; and (2) compliance would be overly burdensome to Great Plains while not furthering the public interest. The Department agrees.

III. REQUESTED COMMISSION ACTION

Based on all of the information provided in its Application, MDU Resources and Great Plains have requested that the Commission issue an Order finding that the proposed Restructuring Plan is complete and consistent with the public interest, and approving the Application as submitted on or before September 30, 2018.

IV. CONCLUSION AND RECOMMENDATION

A. CONCLUSION

The proposed restructure would result in Great Plains being a division of Montana-Dakota, a subsidiary of MDU Resources. The restructure would allow Great Plains to operate solely as a gas distribution company, as a division of Montana-Dakota, a gas distribution subsidiary. Moreover, its cost of service, its capital structure, and cost of debt and equity will remain unchanged until Great Plains' next rate case, and the rates will remain unchanged.

Additionally, no securities are transferred from or to Great Plains; therefore, no capital structure filing as required by Minn. Stat. § 216B.50 is required. Finally, any costs associated with the proposed reorganization will be borne solely by MDU Resources.

B. RECOMMENDATION

Based upon the Department's review and analysis, the Department concludes that the proposed restructure is consistent with the public interest. Therefore, the Department recommends approval of the proposed restructure.

/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/PA-18-103

Dated this 23rd day of March 2018

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tamie A.	Aberle	tamie.aberle@mdu.com	Great Plains Natural Gas Co.	400 North Fourth Street Bismarck, ND 585014092	Electronic Service	No	OFF_SL_18-103_PA-18-103
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_18-103_PA-18-103
Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-103_PA-18-103
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_18-103_PA-18-103
Daniel S.	Kuntz	dan.kuntz@mduresources.com	MDU Resources Group, Inc.	P.O. Box 5650 Bismarck, ND 585065650	Electronic Service	No	OFF_SL_18-103_PA-18-103
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-103_PA-18-103
Adrienne L	Riehl	adrienne.riehl@mduresources.com	MDU Resources Group, Inc.	1200 W Century Ave Bismarck, ND 58503	Electronic Service	No	OFF_SL_18-103_PA-18-103
Garret	Senger	garret.senger@mdu.com	Montana-Dakota Utilities (G)	400 N 4th St Bismarck, ND 58501	Electronic Service	No	OFF_SL_18-103_PA-18-103
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_18-103_PA-18-103