

Staff Briefing Papers

Meeting Date February 25, 2021 Agenda Item 3**

Company Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co.

Docket Nos. **G-004/GR-19-511**

In the Matter of the Petition by Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., for Authority to Increase Natural Gas Rates in Minnesota

G-004/MR-20-822

In the Matter of the Application of Great Plains Natural Gas Co. (Great Plains), a Division of Montana-Dakota Utilities Co., to Establish a New Base Cost of Gas in Compliance with the Commission Order in the General Rate Filing

- Issues
1. Should Great Plains' November 12, 2020 rate case compliance filing be approved?
 2. Should Great Plains' November 10, 2020 new base cost of gas filing be approved?
 3. When should final rates and the new base cost of gas go into effect?
 4. Are any additional compliance filings needed?

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

✓ **Relevant Documents**

Date

Docket G-004/GR-19-511

Great Plains Natural Gas Co. – Compliance Filing	November 12, 2020
Department of Commerce – Comments	December 15, 2020
Great Plains Natural Gas Co. – Reply Comments	December 18, 2020
Great Plains Natural Gas Co. – Reply Comments	December 22, 2020

Docket G-004/MR-20-822

Great Plains Natural Gas Co. – Initial Filing	November 10, 2020
Department of Commerce – Comments	December 10, 2020
Great Plains Natural Gas Co. – Reply Comments	December 18, 2020

I. Statement of the Issues

1. Should Great Plains' November 12, 2020 rate case compliance filing be approved?
2. Should Great Plains' November 10, 2020 new base cost of gas filing be approved?
3. When should final rates and the new base cost of gas go into effect?
4. Are any additional compliance filings needed?

II. Background

On September 27, 2019, Great Plains Natural Gas Co. (Great Plains, GP or the Company), a Division of Montana-Dakota Utilities Co., filed a general rate case requesting a net increase of approximately \$2.86 million, or 12.0%.¹

On November 22, 2019, the Commission issued its Order Setting Interim Rates authorizing CenterPoint to implement an interim rate increase of \$2.6 million, or 10.9%, effective January 1, 2020.

On October 26, 2020, the Commission issued its Findings of Fact, Conclusions, and Order (Order), which authorized a rate increase of \$2,648,239, or 11.5%, over existing rates, to produce test-year jurisdictional retail revenue (including the cost of gas) of \$26,743,647.

On November 10, 2020, Great Plains submitted its revised base cost of gas that would be implemented in conjunction with final rates.²

On November 12, 2020, Great Plains submitted its compliance filing, which proposed to implement new, final rates on January 1, 2021.

On December 10, 2020, the Department submitted comments recommending the Commission approve Great Plains' revised base cost of gas filing to be implemented at the same time as final rates in Docket No. G-004/GR-19-511.

On December 12, 2020, the Department submitted comments recommending the Commission accept Great Plains' rate case compliance filing. However, the Department also recommended the Commission require Great Plains, in a compliance filing to be made 10 days after final rates go into effect, to resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect.

On December 18, 2020, Great Plains cross filed reply comments in both dockets accepting the Department's recommendation that the revised base of gas compliance filing be approved and that the new base cost of gas be implemented at the same time final rates go into effect.

On December 22, 2020, Great Plains filed reply comments accepting the Department's CIP-related compliance filing recommendation.

¹ Docket G-004/GR-19-511.

² Docket G-004/MR-20-822.

III. Great Plains' Rate Case Compliance Filing

A. Great Plains Compliance Filing

Great Plains noted that the Commission's Order requires Great Plains to file revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions, along with the proposed effective date. In compliance with the Order, Great Plains' filing provided the following exhibits:

- Exhibit 1 – Revenue Requirement schedules entitling Great Plains to increase Minnesota jurisdictional revenues by \$3,438,392 (\$2,648,239 net of Gas Utility Infrastructure Charges revenue) to produce jurisdictional total gross revenues of \$26,743,647 for the test year ending December 31, 2020.
- Exhibit 2 – Breakdown of total operating revenues of \$26,743,647 by type.
- Exhibit 3 – Schedules showing all billing determinants for the retail sales of natural gas including the following schedules.
 - a. Total revenue by customer class;
 - b. Total number of customers, the customer charge and total customer charge revenue by customer class, and total number of commodity and demand related units, the per unit of commodity and demand cost of gas, the non-gas margin, and the total commodity and demand related sales revenues by customer class; and
 - c. Workpapers underlying the allocation of the overall increase in revenues to each customer class and the derivation of distribution charges based on the authorized revenue allocations.
- Exhibit 4 – Revised tariff sheets incorporating authorized rate design decisions.
- Exhibit 5 – Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing. Because of different Revenue Decoupling Mechanism (RDM) rates established under the former North District and South District rate areas, customers will have a different bill impact at the time the rates go into effect. This RDM rate differential will continue through 2021. Because of the difference in the RDM rate, two customer notices are included, one for each former rate area.
- Exhibit 6 – The approved base cost of gas, supporting schedules, and revised gas cost adjustment tariffs to be in effect on the date final rates are implemented. The Purchased Gas Cost Adjustment tariff sheet (Original Sheet No. 5-66) as submitted reflects the authorized base cost of gas and the currently effective GCR adjustment. The tariff sheets will be resubmitted to reflect the Purchased Gas Cost Adjustment effective at the time final rates in this docket are implemented.
- Exhibit 7 – A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
- Exhibit 8 – A computation of the CCRC based upon the decisions included in the Order. A schedule detailing the CIP tracker balance at the beginning of interim rates, the

revenues (CCRC and CCRA) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.

Great Plains pointed out that Exhibit 3 recognizes the two new rate design changes authorized in the Order – the new Interruptible Grain Drying rate class and the Margin Sharing Customer under the Large Interruptible Transportation rate class.

Table 1 below summarizes the approved rate increases, by customer class.

Table 1 - Great Plains Revenues Under Current and Proposed Rates

Customer Class/Rate	Bills	Dk	Current Revenue	Total Proposed Revenue	Proposed Revenue Increase	Percent Increase	GUIC	Effective Rate Case Increase	Net Percent Increase
Residential - Rate 60	18,808.0	1,527,457	\$9,896,997	\$11,404,598	\$1,507,601	15.2%	\$380,948	\$1,126,653	11.4%
Firm General - Rate 70	3,078.0	1,342,053	\$7,678,331	\$8,847,796	\$1,169,465	15.2%	\$240,496	\$928,969	12.1%
Interruptible - Grain Drying Rate 73	23.9	191,639	\$745,377	\$858,908	\$113,531	15.2%	\$27,181	\$86,350	11.6%
Small Interruptible									
Sales - Rate 71	92.5	392,421	\$1,651,875	\$1,872,926	\$221,051	13.4%	\$59,609	\$161,442	9.8%
Transport - Rate 81	6.0	85,118	\$114,039	\$161,987	\$47,948	42.0%	\$6,733	\$41,215	36.1%
Total Small Interruptible	98.5	477,539	\$1,765,914	\$2,034,913	\$268,999	15.2%	\$66,342	\$202,657	11.5%
Large Interruptible									
Sales - Rate 85	7.0	359,600	\$1,181,260	\$1,262,493	\$81,233	6.9%	\$39,664	\$41,569	3.5%
Transport - Rate 82	8.0	763,905	\$485,212	\$657,779	\$172,567	35.6%	\$24,448	\$148,119	30.5%
Margin Sharing Customer	2.0	1,564,495	\$820,873	\$946,501	\$125,628	15.3%	\$0	\$125,628	15.3%
Transport - Flex	3.0	2,261,482	\$495,755	\$495,755	\$0	0.0%	\$0	\$0	0.0%
Total Large Interruptible	20.0	4,949,482	\$2,983,100	\$3,362,528	\$379,428	12.7%	\$64,112	\$315,316	10.6%
Total Minnesota	22,028.4	8,488,170	\$23,069,719	\$26,508,743	\$3,439,024	14.9%	\$779,079	\$2,659,945	11.5%

Great Plains proposed to implement final rates effective with service rendered on and after January 1, 2021. The Company also proposed an implementation date of January 1, 2021 for its GUIC, CIP and RDM riders so that all rates are applied consistently and are transparent to its customers.

B. Department of Commerce Comments

The Department reviewed Great Plains' compliance filing and concluded that the filing incorporated and complied with the October 26, 2020 Order's following points:

- Ordering Paragraph No. 1: The Commission adopts the ALJ's Findings of Fact, Conclusions of Law, and Recommendations to the extent that the ALJ's Report is consistent with the decisions herein.
- Ordering Paragraph No. 2: Test year expenses shall be reduced by \$11,500 for dues paid to Minnesota Utility Investors and \$464 for Edison Electric Institute.
- Ordering Paragraph No. 10: The Commission will approve a revenue apportionment that maintains the revenue apportionment established in the 2016 Order.
- Ordering Paragraph No. 11: Great Plains' proposed basic customer service charge increase and daily basic charge calculation method are not approved and the Commission approves a \$230 basic customer charge for the new Interruptible Grain Drying class.
- Ordering Paragraph No. 12: Approves Great Plains' Levelized Annual Revenue Requirement (LARR) Factor and Maximum Allowable Investment (MAI) changes. Great Plains shall update the LARR and MAI changes to reflect the Commission's final order on the Company's proposed margin sharing credit and any changes to the GUIC revenues.
- Ordering Paragraph No. 13(A), Subpart (1): Great Plains shall provide a breakdown of Total Operating Revenues, by type.
- Ordering Paragraph No. 13(A), Subpart (2): Great Plains shall provide schedules showing all billing determinants for the retail sales (and sale for resale) of natural gas.
- Ordering Paragraph No. 13(A), Subpart (3): Great Plains shall provide revised tariff sheets incorporating authorized rate design decisions.
- Ordering Paragraph No. 13(A), Subpart (4): Great Plains shall submit proposed customer notices explaining the final rates, the monthly basic service charge, and any and all changes to rate design and customer billing.
- Ordering Paragraph No. 13(B): Great Plains shall submit a revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
- Ordering Paragraph No. 13(C): Great Plains shall submit a summary of all other rate riders and charges in effect, and continuing, after the date that final rates are implemented.
- Ordering Paragraph No. 14: Great Plains shall provide a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.

Based on its review, the DOC recommended that Great Plains' Compliance Filing be approved and that Great Plains be required, within 10 days after final rates become effective, to resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect.

C. Great Plains Reply Comments

Great Plains agreed with the Department's recommendation that the Compliance Filing be approved and also agreed with the Department's recommendation to resubmit its CIP tracker account information within ten days of final rates becoming effective.

Great Plains also noted that, in its November 10, 2020 Compliance Filing on its 2019 Conservation Improvement Program Status Report and CIP Tracker and Demand Side Management Incentive (Docket No. G-004/M-20-448), the Company included tariff sheets to be effective with service rendered on and after January 1, 2021. However, Great Plains now recognizes that its CIP compliance filing should be made simultaneously with the rate case's final compliance filing. Therefore, Great Plains clarified that the tariff submitted in its November 10, 2020 CIP Compliance Filing will be resubmitted simultaneously with the final compliance filing in this docket and the tariff submitted November 10, 2020 will not be placed into effect with service rendered on and after January 1, 2021. Rather, the tariff will become effective simultaneously with final rates in the rate case.

IV. Great Plains' Base Cost of Gas Compliance Filing

A. Great Plains Compliance Filing

Attachment C, Page 1, of Great Plains' filing provides a summary calculation of the new base cost of gas that will be implemented when final rates go into effect. For firm customers the new base cost will be \$3.6905/Dk and for interruptible customers it will be \$2.6287/Dk.

B. Department of Commerce Comments

The Department reviewed Great Plains' compliance filing and recommended that the Company's new base cost of gas be approved and that its implementation coincide with implementation of final rates in Docket No. G-004/GR-19-511.

C. Great Plains Reply Comments

Great Plains agreed with the Department's recommendation that the Commission approve the new base cost of gas to coincide with implementation of final rates in Docket No. G-004/GR-19-511.

V. Staff Comment

In its rate case compliance filing, Great Plains proposed to implement final rates on January 1, 2021. Since that date has passed, Staff believes final rates should be authorized to go into effect on April 1, 2021. Staff's understanding is that the Company needs a certain amount of lead

time ahead of the implementation date to put the rates into effect and prefers to do this on the first day of the month rates go into effect.

VI. Decision Alternatives

Rate Case Compliance Filing (Docket G-004/GR-19-511)

1. Accept and approve Great Plains' Rate Case Compliance Filing. (GP, DOC)
2. Do not accept or approve Great Plains' Rate Case Compliance Filing.

Effective Date for Final Rates Implementation (Docket G-004/GR-19-511)

3. Authorize Great Plains to implement final rates effective April 1, 2021. (Staff)
4. Authorize an alternative date and require Great Plains to, within 10 days, of implementation, make a compliance filing informing the Commission of the date final rates went into effect. (Staff alternative)

CIP-Related Compliance Filing (Docket G-004/GR-19-511)

5. Order Great Plains to, within 10 days of implementation of final rates, resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect. (DOC, GP agreed)
6. Take no action.

Base Cost of Gas Compliance Filing (G-004/MR-20-822)

7. Accept and approve Great Plains' Base Cost of Gas Compliance Filing. (GP, DOC)
8. Do not accept or approve Great Plains' Base Cost of Gas Compliance Filing.

Base Cost of Gas Implementation (G-004/MR-20-822)

9. Order Great Plains to implement its new Base Cost of Gas in conjunction with implementation of final rates. (GP, DOC)
10. Order Great Plains to implement its new Base Cost of Gas at a different time.