

September 24, 2013

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

RE: Great Plains Natural Gas' Five-Year Depreciation Study
Docket No. G004/D-12-565

Dear Dr. Haar:

The Minnesota Department of Commerce, Division of Energy Resources (Department) submits this letter to the Minnesota Public Utilities Commission (Commission) to inform the Commission that the outstanding issues in the instant Docket have been resolved and the Department now recommends that the Commission approve the depreciation parameters and rates proposed in Great Plains' initial filing (the 2012 Depreciation Study) with an effective date of January 1, 2013.

The Department's final recommendations to the Commission from its March 12, 2013 Response Comments in this Docket were:

1. Approve Great Plains' Petition, except for the proposed amortization rate for Account 391.30 and the proposed treatment of Accounts 305, 311 and 320;
2. Approve an amortization rate of 14.27 percent for Account 391.30;
3. Require Great Plains to submit an informational filing either in this Docket or in Great Plains' subsequent depreciation filing, stating the reserve balances in Accounts 305, 311 and 320, after disposal of all property in those accounts is complete.
4. Approve Great Plains' requested effective date of January 1, 2013;

The Department's second recommendation was intended to correct what appeared to be an error in the calculation of Great Plains' proposed amortization rate for Account 391.30 that artificially inflated the account's amortization expense.¹ In Table 5-391.3 of Great Plains' 2012

¹ See the Department's March 12, 2013 Response Comments for a more detailed discussion of the calculation.

Study, the Company divided the unamortized balance of vintage-2008 property by a remaining life of 0.44 years, which resulted in an annual amortization amount that was greater than the unamortized balance. This inflated annual amortization amount was then used to calculate the account's overall amortization rate. Therefore, the Department was concerned that the resulting amortization rate for the account was inflated. After reviewing the Company's Petition in Docket No. G004/D-13-448 (the Company's 2013 Depreciation Docket), the Department concludes that the apparent error relates only to the *presentation* of the Company's amortization calculations in its depreciation studies, and that in practice, the Company appropriately caps amortization expense at the unamortized balance.² Thus, the Department concludes that Great Plains' proposed amortization rate for Account 391.30 of 25 percent is reasonable, and recommends that the Commission approve it.

The Department's third recommendation listed above relates to the disposal of Great Plains' propane facilities booked to plant accounts 305, 311, and 320. Normally, gains or losses associated with the retirement and disposal of property are simply added to or subtracted from the appropriate account's depreciation reserves. This treatment ensures that ratepayers benefit from any gains, as the gains would result in lower depreciation expense in the future. In this case, however, there is no property left in those accounts, and therefore there is no reserve to which the gain or loss can be booked. Thus, the Department had requested that Great Plains provide in this Docket information regarding the treatment of the gains or losses and remaining reserve balances of these accounts. The Department notes, however, that this issue was resolved in Docket No. G004/PA-13-367, in which the Company proposed to book the gain on the sale of these facilities in the reserve of Account 376, Mains. The Department concludes that this is reasonable.

With these outstanding issues resolved, the Department recommends that the Commission approve all of the proposed depreciation parameters from Great Plains' 2012 Depreciation Study, as well as the resulting depreciation rates, with an effective date of January 1, 2013. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ja

² See the Department's August 30, 2013 Comments in Docket No. G004/D-13-448.

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
Letter**

Docket No. G004/D-12-565

Dated this 24th day of **September, 2013**

/s/Sharon Ferguson

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