



*A Division of Montana-Dakota Utilities Co.*

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August 8, 2025

Mr. Mike Bull  
Deputy Executive Secretary  
Minnesota Public Utilities Commission  
121 East Seventh Place, Suite 350  
St. Paul, MN 55101-2147

RE: In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals - Reply Comments  
Docket No. G999/CI-21-565

Dear Mr. Bull:

Great Plains Natural Gas Co. (Great Plains), a Division of Montana-Dakota Utilities Co., herewith electronically files its Reply Comments in the above referenced docket.

On May 5, 2025, the Minnesota Public Utilities Commission (Commission) issued a Notice of Comment Period requesting comments be filed addressing the issue of “[w]hat action(s), if any, should the Commission take to modify existing gas line extension policies for rate regulated gas utilities”. The following topics were open for comment:

- Should the Commission consider any modifications to how gas utilities calculate free footage allowance and other costs related to gas main and service line extensions? If so, what factors or conditions would justify changes? And how would any proposed changes affect new connecting customers and other ratepayers?
- If the Commission should make modifications to regulated gas utilities’ gas line extension policies, how would rules, statutes, and Commission orders justify those modifications?
- Which proposed modifications, if any, would necessitate gas utilities to coordinate and/or consult with electric utilities in the service territory where a gas line extension is being contemplated?
- How should the Commission consider the results of Minnesota Energy Resource Corporation’s Line Extension Policy Study in this matter?
- What lessons should the Commission consider from proceedings in other states related to this matter?

- Should any distinctions be made between different customer classes when considering modifications?
- How should the Commission consider the needs of low-income customers and other areas of equity in this matter?
- Are there other issues or concerns related to this matter?

On July 8, 2025, several parties provided written comments, with some specifically addressing the topics outlined above and others a more general discussion and/or recommendations surrounding future actions the Commission should consider on gas utilities' extension policies when considering Minnesota's greenhouse gas emission reduction goals enacted by the Minnesota Legislature in 2021.

### **Great Plains' Gas Extension Policies**

As an introduction to its Reply Comments, Great Plains believes an overview of the Company's current extension policies, and the process used by Company representatives when evaluating an extension, is important. Great Plains' extension policies are outlined in the Company's General Terms and Conditions tariff, Section 6, Sheet Nos. 6-11 through 6-17 with Sheet Nos. 6-11 through 6-15 specific to firm customer extensions and Sheet Nos. 6-15 through 6-17 specific to interruptible customer extensions. The current policies were first approved in Docket No. G004/M-12-303 when the Company requested Commission approval to revise its extension policies to provide both the Company and customers with a more defined extension policy by further outlining the applicability, cost responsibilities, and refund provisions applicable to both firm and interruptible gas main and service line extensions. The last review of the policies, under the Commission's March 31, 1995 Order in Docket No. G-999/CI-90-563 which required utilities to address several questions regarding its line extension policies in future rate cases, was conducted in Great Plains' 2019 general rate case, Docket No. G004/GR-19-511.

### **Firm Gas Service Main and Service Line Extension Policy**

Under today's tariff, Great Plains employs the following guidelines when evaluating a firm gas main extension project:

- For extensions 100 feet or less: the Company will extend main up to, but not to exceed, 100 feet projected to be connected within twelve months from the start of construction where natural gas is the primary fuel used for space heating.
- For extensions exceeding 100 feet or where natural gas is not the primary fuel used for space heating: the Company may require cost participation if the estimated capital expenditure is not cost justified. The project is considered cost justified if the calculated Maximum Allowable Investment (MAI) equals or exceeds the estimated capital expenditures using the following formula:

Annual 3<sup>rd</sup> Year Revenue from project<sup>1</sup>  
Levelized Annual Revenue Requirement (LARR)

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The use of the LARR is to ensure the revenue stream over the life of the project is sufficient to cover the annual revenue requirement over the life of the investment. It is the annual rate required to recover the present value of an extension project over the life of the project or, in other words, the percentage of the total cost of an extension project the Company needs to collect in annual revenue in order to fully recover the cost of a project and ensure the Company's other customers are not harmed by the project. The rate is reflective of the Company's authorized rate of return, depreciation expense, operation and maintenance expenses associated with mains and services, and taxes. The current LARR rate is 13.917% as authorized in Docket No. G004/GR-19-511, the Company's most recent general rate case. Under today's LARR and assuming a project cost of \$1,000, a contribution may be required if the project is projected to generate less than \$139.17 in annual revenue through the customer's Basic Service Charge, Distribution Delivery Charge, Gas Utility Infrastructure Cost Adjustment, and Margin Sharing Credit.

Great Plains has prepared Attachments A, B and C to these Reply Comments to help illustrate the evaluation of a firm main extension project that requires the use of the Company's cost participation formula. Attachment A reflects an example where the customer's project exceeded 100 feet but was determined to be cost justified so no contribution was required from the customer. As shown in Attachment A, the project was for a main extension costing \$2,410 with an MAI of \$2,418. With the MAI exceeding the estimated costs, the project was considered cost justified and no contribution required from the customer.

Attachment B reflects an example where the customer's project was under 100 feet and determined to not be cost justified and therefore a contribution was required from the customer. As shown in Attachment B, the illustrative project's costs were the same as the project included in Attachment A, but the estimated volumes were considerably less causing the MAI to be \$1,311. With the MAI less than the estimated cost, a contribution was required from the customer in the amount of \$1,099.

Attachment C reflects an example where the customer's project exceeded 100 feet and was determined to not be not cost justified and a contribution was required from the customer. Attachment C's project cost was twice that of Attachment A's costs but with the same level of estimated volumes. Under this illustrative scenario, the MAI was \$2,418 causing a contribution from the customer in the amount of \$2,403.

Costs included in a firm extension project include the gas main extension, valves, service line(s), cathodic protection equipment, any required payments made by Great Plains to the transmission pipeline company to accommodate the extension, and other

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<sup>1</sup> Annual 3<sup>rd</sup> Year Revenue defined as Annual Basic Service Charge Revenue plus (3<sup>rd</sup> Year Estimated Dk x (Distribution Delivery Charge + GUIC + MSC))

costs excluding the meter and regulator. While meter and regulator costs are essential to providing gas service, the costs associated with them are excluded from an extension project's cost. Compared to other equipment included in the cost formula, a meter and/or regulator can be moved from one customer to another similar type of customer if service ceases at a particular location. A new meter and/or regulator may also not always be required for an extension project. A project's third year volumes are included in recognition that a project may not be fully operational or developed within the first twelve to twenty-four months of being in service.

When a customer contribution is required of the customer, the portion of the capital expenditure not cost justified, i.e. the amount in excess of the project's MAI, there are several payment options available as identified herein. Absent payment, the project does not proceed.

- Pay in advance the amount not cost justified.
- Agrees to pay a special monthly charge. If the customer discontinues service prior to payment in full, the balance will be due and payable upon discontinuation of service.
- Agrees to pay annually a specified minimum charge. If the customer discontinues service prior to payment in full, the balance will be due and payable upon discontinuation of service.
- Agrees to a combination of the above methods, or
- Customer may post a bond or an irrevocable letter of credit.

Upon completion of an extension project, the customer's contribution amount will be adjusted to reflect actual costs and an additional charge may be levied or a refund provided. If within the five-year period starting from the project's in-service date, the number of active customers and related volumes exceeds the projections used to determine the MAI, the Company shall re-compute the contribution requirement by recalculating the MAI. The recalculated contribution requirement shall be collected from the new applicant(s).

The Company employs a similar approach as described above when evaluating a request to install a service line up to, or exceeding, 75 feet.

### **Interruptible Gas Service Main and Service Line Extension Policy**

Under today's tariff, a contribution amount equal to the total cost of construction is required from the interruptible customer prior to the start of construction. The customer can make payment in full or post a bond or an irrevocable letter of credit. Upon completion of project construction, the contribution amount will be adjusted to reflect actual costs and an additional charge may be levied or a refund provided. If within the five-year period starting from the project's in-service date, the total of the customer's contribution equals or exceeds the total present value of the revenue requirement associated with the extension, the Company shall refund the amount exceeding the

revenue requirement. If within the five-year period, additional customers are connected to the main extension, the Company shall (1) determine the pro rata share applicable to other customers and (2) reduce the original customer's contribution requirement by the pro rata cost attributed to the new customer.

### **Reply Comments to the July 8 Initial Comments**

**Why Footage Allowances?** As discussed in many of the July 8 comments, footage allowances have long been provided for under Minnesota gas utilities' extension tariffs. They provide a degree of administrative efficiency, are easy for customers to understand and can assist customers in being able to afford a project by avoiding that initial upfront payment. To the extent a customer's revenue does not exceed a project's costs, that incremental cost then becomes socialized and paid for by the utility's other customers, very similar to how costs incurred by the utilities under their ECO and GAP programs are recovered. Absent the allowances, some customers may not be able to afford to undertake an extension project and forced to choose an alternative space heating alternative that may not offer other protections or opportunities afforded gas customers in Minnesota, such as Cold Weather Protections, ECO opportunities, or relief offered through GAP.

Additionally, under Great Plains' firm extension policy, the longer extensions, extensions where gas is not the primary heating source or projects where costs exceed estimated revenue are subject to cost participation under the Company's tariff. The tariff ensures that cost causers are responsible for their own project's cost when the cost of a project is more than the expected revenue, thus ensuring the continued premise that all customers benefit from the addition of customers to a utility's system.

Great Plains last evaluated its footage allowance in preparing the Company's 2019 rate case. To evaluate if a change should have been made to the 100-foot main allowance, the Company utilized the aforementioned MAI formula, including the average cost to install a 2-inch main and an average residential customer's annual use at that time at the gas rates effective at the time of filing. Under those inputs, a contribution would not have been required of a residential customer until the footage of a project exceeded 94.7 feet<sup>2</sup>. Great Plains will again re-evaluate its footage allowance in its next general rate case which the Company plans to file within the next twelve to twenty-four months and propose changes if the evaluation determines a change is necessary.

**Why waive a CIAC?** The waiving or limiting of cost participation for an extension is not the Company's standard practice. Rather it is a consideration undertaken in very limited circumstances where the potential benefits from an extension may also improve the Company's system or the potential long-term margins show a benefit to all customers. A theoretical example of a project where a customer's cost participation may be limited is when Great Plains determines the project is located in an area where there has been pressure or capacity issues that could be resolved through the

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<sup>2</sup> Great Plains' response to Clean Energy Information Response No. 2 Exhibit 1.

installation of additional main to loop the Company's system or larger diameter pipe. However, the customer's extension project on its own does not necessitate such infrastructure. The Company would evaluate the customer's project based solely on the requirements of the project with any additional investment made over and above the project being considered a system betterment cost and the customer not charged for that cost, i.e. the waiving of the system betterment costs. The Company believes this provides a bigger picture approach that can avoid system upgrades at a later date when cost may be higher

**Why not different extension policies for residential customers compared to non-residential customers?** While Great Plains does not differentiate its extension policies between residential and non-residential customers, the Company does differentiate between firm and interruptible extensions as well as further within its firm extension policy between gas being used as the primary space heating source and where it will not be the primary space heating source. Great Plains believes these types of distinction are more relevant for the Company as it (1) takes into consideration that interruptible customers have alternative fuel capability as well as potential bypass capability so revenue recovery can be less certain in the future and therefore the Company requires cost participation prior to the start of any construction and (2) acknowledges the difference in revenue received from a customer wanting to extend gas service, say for a gas fireplace versus a gas furnace.

If there is no requirement that gas be the primary space heating source under the Company's firm extension policy, Great Plains cannot reasonably assume any gas use by a firm customer. With the volumetric rate component being the greater of the two rate components under which the Company receives revenue in most months, the risk of receiving limited to no revenue from a firm extension increases. Great Plains would be forced into charging all customers the total cost of any extension project as there would be no reasonable assurance of revenue from a customer. No other appliance requirements are required under the Company's firm extension policy.

**Costs included when evaluating an extension project.** Great Plains' extension policies have long defined the costs included in an extension project. While the Company acknowledges there are other ongoing costs a utility incurs necessary for the provision of safe and reliable gas service, most are not on the one for one scale as those included in an extension project's costs. Customer-related costs such as meter reading and customer account expenses are incurred, but the addition of one customer does not equate to one additional employee and/or additional infrastructure to read a meter, bill a customer, respond to a customer call or perform collection-related activities. While over a period of time, additional customers may result in the addition of an employee or additional infrastructure costs to perform such activities, Great Plains experiences, on average, a residential customer growth rate of 0.4 percent since 2020 and therefore the Company does not believe it appropriate to include such costs in the cost of an extension.

**Lessons from Other States.** Great Plains agrees with the comments expressed by CenterPoint Energy, Xcel Energy and MERC in their July 8 Initial Comments in response to the Commission’s question of “[w]hat lessons should the Commission consider from proceedings in other states related to this matter. Additionally, on July 22, 2025, the American Gas Association (AGA) filed comments with the Maryland Public Service Commission in the state’s “Future of Gas” docket<sup>3</sup> to reconsider its preliminary order to revise the service and main line extension policies as “discontinuing or limiting natural gas utility line extension allowances will harm Maryland customers”<sup>4</sup> citing similar reasons as those expressed by CenterPoint Energy, Xcel Energy and MERC.

Great Plains is a small gas utility located in western Minnesota that provides service to eighteen largely rural communities where the largest community served is Fergus Falls with 5,205 customers and the smallest community is Boyd with 89 customers. Of the 5,205 customers in Fergus Falls, 4,561 were residential and 644 were non-residential. In Boyd, 73 were residential and 16 were non-residential. Annual customer growth is minimal with residential customers averaging a growth rate of 0.4 percent since 2020 and non-residential customers averaging a growth rate of 0.5 percent.

The major industries located in the Company’s service territory are primarily agricultural-related, whether that be agricultural processing, feed production or livestock production. This differs from other areas of the state that see more diverse types of commercial or industrial growth opportunities, such as larger healthcare, higher education, manufacturing, technology, and financial facilities. Changes to gas utilities’ extension policies may only serve to further limit any customer growth opportunities in the largely rural areas served by Great Plains and hinder customers from choosing the best energy solution for their home or business.

In rural areas customers without access to natural gas often choose propane for their heating needs. By eliminating allowances and creating possible cost barriers for rural customers to convert from propane not only increases an individual’s or business’ energy costs but also does not lower GHG emissions as propane has a higher GHG emission than natural gas.

Great Plains appreciates the opportunity to offer these Reply Comments regarding the gas extension policies in Minnesota, both in general and specific to the Company’s policies. The Company’s extension policies have provided both Great Plains and its customers with a defined methodology for evaluating the extension of gas service to homes and businesses in western Minnesota, with cost participation dependent on the customer’s service and project. Residential customers and businesses throughout the Company’s service territory have come to recognize and rely on natural gas as a reliable source of energy in meeting their home heating and business needs. Great Plains requests no change to its extension policies at this time.

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<sup>3</sup> Maryland Public Service Commission Docket No. 9707 Order No. 91683.

<sup>4</sup> AGA’s July 22, 2025 Comments in Docket No. 9707.

If you have any questions regarding this filing, please contact Travis R. Jacobson at (701) 222-7855 or Kristin Stastny at (612) 977-8656.

Sincerely,

*/s/ Travis R. Jacobson*

Travis R. Jacobson  
Vice President of Regulatory Affairs

cc: Kristin Stastny

**Great Plains Natural Gas Co.  
Gas Utility - Minnesota  
Firm Gas Service Extension Policy  
Example - Attachment A**

**Estimated Capital Expenditures**

Mains	\$ 2,000.00
ES&GA	\$ 410.20
	<u>\$ 2,410.20</u>

	<u>Customers</u>	<u>Dk</u>
3rd Year Estimate	1	80.0

**Estimated Distribution Revenue**

Basic Service Charge	\$7.50	\$ 90.00
Distribution Charge/Dk	\$3.017	\$ 241.37
GUIC	\$0.4642	\$ 37.14
MSC	(\$0.4005)	\$ (32.04)
		<u>\$ 336.47</u>

**Maximum Allowable Investment (MAI) Calculation**

Annual Basic Service Charge Revenue	\$ 90.00
3rd Year Margin Revenue	\$ 246.47
	<u>\$ 336.47</u>

Levelized Annual Revenue Requirement Factor 13.917%

Maximum Allowable Investment (MAI) \$ 2,417.69

**Customer Contribution**

Total Cost	\$ 2,410.20
Less: MAI	\$ 2,417.69
Contribution	<u>\$ (7.49)</u>
Customer Contribution Required 1/	<u>\$ -</u>

1/ Subject to review and refund for a 5-year period.

**Great Plains Natural Gas Co.  
Gas Utility - Minnesota  
Firm Gas Service Extension Policy  
Example - Attachment B**

**Estimated Capital Expenditures**

Mains	\$ 2,000.00
ES&GA	\$ 410.20
	<u>\$ 2,410.20</u>

	<u>Customers</u>	<u>Dk</u>
3rd Year Estimate	1	30.0

**Estimated Distribution Revenue**

Basic Service Charge	\$7.50	\$ 90.00
Distribution Charge/Dk	\$3.017	\$ 90.51
GUIC	\$0.4642	\$ 13.93
MSC	(\$0.4005)	\$ (12.02)
		<u>\$ 182.42</u>

**Maximum Allowable Investment (MAI) Calculation**

Annual Basic Service Charge Revenue	\$ 90.00
3rd Year Margin Revenue	\$ 92.42
	<u>\$ 182.42</u>

Levelized Annual Revenue Requirement Factor 13.917%

Maximum Allowable Investment (MAI) \$ 1,310.77

**Customer Contribution**

Total Cost	\$ 2,410.20
Less: MAI	\$ 1,310.77
Contribution	<u>\$ 1,099.43</u>
Customer Contribution Required 1/	<u>\$ 1,099.43</u>

1/ Subject to review and refund for a 5-year period.

**Great Plains Natural Gas Co.  
Gas Utility - Minnesota  
Firm Gas Service Extension Policy  
Example - Attachment C**

**Estimated Capital Expenditures**

Mains	\$ 4,000.00
ES&GA	\$ 820.40
	\$ 4,820.40

	Customers	Dk
3rd Year Estimate	1	80.0

**Estimated Distribution Revenue**

Basic Service Charge	\$7.50	\$ 90.00
Distribution Charge/Dk	\$3.017	\$ 241.37
GUIC	\$0.4642	\$ 37.14
MSC	(\$0.4005)	\$ (32.04)
		\$ 336.47

**Maximum Allowable Investment (MAI) Calculation**

Annual Basic Service Charge Revenue	\$ 90.00
3rd Year Margin Revenue	\$ 246.47
	\$ 336.47

Levelized Annual Revenue Requirement Factor      13.917%

Maximum Allowable Investment (MAI)      \$ 2,417.69

**Customer Contribution**

Total Cost	\$ 4,820.40
Less: MAI	\$ 2,417.69
Contribution	\$ 2,402.71
Customer Contribution Required 1/	\$ 2,402.71

1/ Subject to review and refund for a 5-year period.