Staff Briefing Papers

Meeting Date	**October 23. 2025**	**Agenda Item 3***
Company	Great Plains Natural Gas Co.	
Docket No.	G-004/M-25-200	
	In the Matter of Great Plains Natural Gas Co.'s Gas Utility Infrastructure Cost Adjustment Tariff 2025 Revenue Requirement and Revised Adjustment Factors	
Issues	Should the Commission accept Great Plains' Annual Report and Petition for approval of recovery for gas utility infrastructure costs and revised adjustment factors for 2025?	

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✓ **Relevant Documents**	**Date**
Great Plains Natural Gas Company – Petition	April 15, 2025
Minnesota Department of Commerce – Comments	July 15, 2025
Great Plains Natural Gas Company – Reply Comments	July 25, 2025
Minnesota Department of Commerce – Response to Reply Comments	August 4, 2025
Great Plains Natural Gas Company – Response to Reply Comments	August 6, 2025

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I. BACKGROUND

Minnesota (Minn.) Statute (stat.) section (§) 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs (GUIC). Gas utility infrastructure costs are not included in the gas utility's rate base in its most recent general rate case, and is incurred in projects involving: (1) the replacement of natural gas facilities required by road construction or other public work by or on behalf of a government agency or (2) the replacement or modification of existing facilities required by a federal or state agency, including surveys, assessments, reassessment, and other work necessary to determine the need for replacement or modification of existing infrastructure.

Since December 21, 2016, Great Plains, to recover costs incurred in compliance with federal regulations,[1] has proposed a GUIC rider that set standards governing the safety, reliability, and integrity of natural gas distribution assets and infrastructure. The Commission has issued Orders approving Great Plains' petitions for updates to the GUIC rider to true up costs, and apply revenues collected and projected.

On October 6, 2017, the Commission issued an Order[2] authorizing Great Plains to establish a GUIC rider for the recovery of costs related to its Distribution Integrity Management Program (DIMP). Specifically, the Company identified two capital projects for replacing polyvinyl chloride (PVC) pipe mains and service lines[3] throughout the Company's service territory.

Great Plains did not include any Transmission Integrity Management Program (TIMP) projects in its proposed GUIC. Great Plains' proposed GUIC rider recovery was limited to projects in the Company's Minnesota service area.

On July 9, 2024, the Commission issued its Order in Docket No. G-004/M-24-170, approving the Company's 2023 GUIC true-up balance of $1,476,158 and revised GUIC rider adjustment factors effective October 1, 2024.[4]

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[1] In December of 2003, PHMSA published the Transmission Integrity Management Rule or the "TIMP Rule" (49 C.F.R. 192, Subpart O). The TIMP Rule specifies how operators must identify, prioritize, assess, evaluate, repair, and validate the safety and integrity of its transmission pipelines that could affect High Consequence Areas or "HCAs". HCAs are highly populated buildings or outdoor areas of population. As required by the rule, Great Plains implemented its TIMP program in December of 2004. Since its inception, several revisions have been made to the program. The latest revision (Rev. 4) was made in September of 2013. Great Plains' TIMP program consists of Fifteen Sections along with three associated appendices.

[2] *In the Matter of the Petition of Great Plains Natural Gas Co. for Approval of a Gas Utility Infrastructure Cost (GUIC) Tariff and Adjustment*, Docket No. G-004/M-16-1066, Order Approving Rider and Rate Adjustment Factors; and Requiring Compliance Filing.

[3] Great Plains requested GUIC rider recovery for Distribution Integrity Management Program (DIMP) projects in Docket Nos. G-004/M-16-1066, G-004/M-17-858, G-004/M-18-282, G-004/M-19-273, G-004/M-20-422, G-004/M-21-272, G-004/M-22-183, G-004/M-23-161, G-004/M-24-170.

[4] Docket No. G-004/M-24-170, Commission's July 9, 2024 Order.

On April 15, 2025, Great Plains Natural Gas Co. (Great Plains or the Company), a Division of Montana-Dakota Utilities Co., submitted its Annual Report and petitioned for approval of recovery of the 2025 Gas Utility Infrastructure Costs (GUIC) under its GUIC Adjustment Rider. Pursuant to the Minnesota Public Utilities Commission's (Commission) November 22, 2019[5] Order, in Docket No. G-004/M-19-273, this annual report presented the true-up of the 2025 revenue requirement with actual costs and recoveries for the period ending December 31, 2024.

On July 15, 2025, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments recommending approval of Great Plains' Petition, subject to the Company providing additional information in Reply Comments.

On July 25, 2025, Great Plains filed Reply Comments which provided recalculations of the 2025 revenue requirement using updated capital costs for mains and services and an updated calculation of 2025 Proposed Recovery Factors.

On August 4, 2025, the Department filed Response to Reply Comments recommending Commission approval of Great Plains' Petition as updated in the Company's Reply Comments.

On August 8, 2025, Great Plains filed Reply to Response Comments agreeing with the Department's recommendation for the Commission to approve the Petition as updated on July 25, 2025 in the Company's Reply Comments.

II. DISCUSSION

A. Great Plains Initial Filing

Pursuant to the November 22, 2019 Commission Order in Docket No. G-004/M-19-273, this annual report presents the true-up of the 2024 revenue requirement with actual costs and recoveries for the period ending December 31, 2024, as presented in Table 1.

[5] *In the Matter of the Petition of Great Plains Natural Gas Co., a Division of Montana-Dakota Utilities Co., for Approval of a Gas Utility Infrastructure Cost (GUIC) Adjustment True-up Report for 2018, 2019 Revenue Requirement, and Revised Adjustment Factors*, Docket No. G-004/M-19-273, Order Approving Request to Suspend GUIC Rider, (November 22, 2019)

Table 1: GUIC Costs and Recoveries – Initial Filing[6]

Under/(Over) Recovery - December 2023	$ 625,534
Revenue Requirement – 2024	1,336,111
Actual Recoveries: October - December, 2024	(829,389)
Total Under Recovery as of December 31, 2024	$1,132,256
Projected 2025 Revenue Requirement	1,711,777
Estimated Recoveries: January - September, 2025	(1,013,699)
Total Required Recovery - October, 2025 - September, 2026	$1,830,334

Great Plains proposed to update its GUIC adjustment rider tariff and implement a GUIC adjustment to be effective with service rendered on and after October 1, 2025.[7] According to the Company, this update reflected the projected 2025 revenue requirement, and the continued amortization of the net under-collected balance authorized in Docket No. G-004/M-24-170.[8]

As authorized in Docket No. G-004/GR-19-511, the customer classes were revised to add the newly established Grain Drying class, as well as to include the Margin Sharing Customer's volumes and revenues in the Large Interruptible – Transport customer class. In Table 2, the Company proposed the rates per Dekatherm (Dth), by class, to be effective October 1, 2025.

Table 2: Rates per Dth, by Class to be Effective October 1, 2025 – Initial Filing

Sales	**Proposed Rate**	**Current Rate**	**Change**
Residential	$0.5772	$0.4642	$0.1130
Firm General	$0.4144	$0.3366	$0.0778
Grain Drying	$0.3690	$0.1607	$0.2083
Small Interruptible	$0.3090	$0.2723	$0.0367
Large Interruptible	$0.1687	$0.1484	$0.0203
Transportation			
Small Interruptible	$0.4051	$0.3621	$0.0430
Large Interruptible (including Margin Sharing Customers[9]	$0.0746	$0.0660	$0.0086

Great Plains requested that this filing be accepted as being in full compliance with Commission filing requirements and that it be approved as consistent with the public interest.

In Exhibit D, Great Plains provided GUIC's revenue requirement calculation. The calculation

[6] Great Plains Initial Filing at 1.

[7] The effective date is consistent with the timing outlined in the GUIC tariff and the process changes as authorized in the Commission's Order issued March 21, 2018 in Docket No. G-004/M-17-858.

[8] Docket No. G-004/M-24-170, Initial Petition; p. 1

[9] Includes the Margin Sharing Customer

includes the rate of return approved in the Company's most recent rate case,[10] depreciation, ad valorem taxes and income taxes related to the projects.[11]

B. Department Comments

1. Introduction

The Department reviewed Great Plains' Petition to determine if it complies with applicable statutes and Commission orders and evaluated the reasonableness of the Company's proposals. Based on the result of its review, the Department recommended that the Commission approve Great Plains' petition, subject to the Company providing additional information in reply comments.

2. Compliance with Minnesota Statute

The Department further stated that, because of its review, it believes that the Company complied with the relevant specifications of Minn. Stat. § 216B.1635 as outlined below:

a. GUIC Rider Project Eligibility

The Department noted that 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. The Department further observed that, unless required by a government entity, projects eligible for GUIC cost recovery do not include those undertaken to increase a utility's revenues by connecting project infrastructure directly to new ratepayers or those representing a "betterment."[12]

b. Timing of GUIC Rider Filing

The Department stated that 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 GUIC rates.

c. Gas Infrastructure Project Plan

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. The Department noted that, in Exhibit B of its Petition, Great Plains provided this information and concluded that Great Plains' Petition

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[10] Docket No. G-004/GR-19-511

[11] See Table 1 above for the revenue requirement table

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

satisfies the statutory requirements.

d. GUIC Rider Filing Requirements

First, the Department stated that Great Plains complied with the GUIC Rider Filing Requirements as stipulated by Minn. Stat. § 216B.1635, Subdivision 4 (1), which limits filing under this section to no more than once per year. This is the only GUIC Petition the Company filed for 2025.

Second, Minn. Stat. § 216B.1635, Subdivision 4 (2) requires Great Plains to include the following in its Petition:

- information required in the GUIC plan report under subdivision 3;
- the government entity requiring the GUIC work, and the purpose of the work;
- description of the estimated costs and salvage value associated with the existing infrastructure replaced or modified as a result of the project;
- a comparison of the utility’s estimated costs included in the GUIC project plan and actual costs incurred, including a description of the utility’s efforts to ensure the costs of the facilities are reasonable and prudently incurred;
- calculations to establish that the rate adjustment is consistent with the terms of the rate schedule, including the proposed rate design and an explanation of why the proposed rate design is in the public interest;
- the magnitude and timing of any known future gas utility projects that the utility may seek to recover under this section;
- the magnitude of GUIC in relation to the gas utility's base revenue as approved by the commission in the gas utility's most recent general rate case, exclusive of gas purchase costs and transportation charges;
- the magnitude of GUIC in relation to the gas utility's capital expenditures since its most recent general rate case; and
- the amount of time since the utility last filed a general rate case and the utility's reasons for seeking recovery outside of a general rate case.

e. Prudence and Reasonableness of Costs

Based on Great Plains’ description of its request for proposal (RFP) process for the 2025 projects, the Department concluded that, as required by Minn. Stat. § 216B.1635, Subdivision 5, the Company had proposed rider recovery at the “lowest reasonable and prudent cost to ratepayers”.[13] The Department concluded that Great Plains’ use of a competitive RFP bidding process for its 2025 GUIC projects provides sufficient support for the prudency and reasonableness of the Company’s gas utility infrastructure costs incurred.

[13] Department Comments at 10.

f. Compliance with prior Commission Orders

The Department stated that Great Plains' Petition complies with prior Commission orders.

3. Department's Analysis of Great Plains' Current GUIC Proposals

The Department noted that, as shown in Table 1 above, Great Plains proposed to recover a revenue requirement of $1,830,334, which reflects the under-recovered balance in the Company's GUIC tracker as of December 31, 2024 and implementation of adjustment rates shown in Table 2.

The Department stated that, if the Commission approves the proposed revenue requirement and tariff changes, Great Plains will notify its customers about the newly authorized GUIC adjustment rates with the bill insert information provided in Petition Exhibit G.

a. Capital Costs

Great Plains' original capital budget for replacement of PVC gas mains was $3,064,524. The Department noted the significantly higher amount than previous years and requested the Company explain the increase. Great Plains explained that the original, higher budget was based on the best information at the time of filing. As the project progressed, the Company updated its capital budget to show a more accurate budget forecast. As shown in Table 3, unit costs subsequently fell, and capital expenditures were now expected to be slightly lower than the actual 2025 capital budget.

Table 3: Capital Expenditure – 2025 GUIC Projects[14]

	Initial filing CapEx	Updated CapEx	Decrease in CapEx
Mains	$1,671,560	$821,330	($850,230)
Services	$1,392,964	$772,921	($620,043)
Total	**$3,064,524**	**$1,594,251**	**($1,470,273)**

Based on the updated cost documentation, estimates, and current costs-to-date to support projected costs, the Department concluded that the updated capital costs appear reasonable.

b. Rate of Return

The Department agreed that the Company complied with the stipulations by Minn. Stat. § 216B.1635, Subdivision 6, by using the rate of return approved in a Great Plains' most recent general rate case.[15]

[14] Department Comments at 12.

[15] Department Comments at 12.

c. 2024 GUIC True-up

The Department concluded, based on its review, that Great Plains' calculations appear reasonable and consistent with prior GUIC rider filings. As a result, the Department recommended that the Commission approve the Company's 2024 GUIC True-up.

d. 2025 GUIC Revenue Requirements

In its Petition, Great Plains proposed to recover $1,830,334 in annual revenue requirements through its 2025 GUIC Rider. The Department found no errors in the Petition. However, it noted that the Company's projected capital expenditures have fallen significantly compared to the amount listed in the Petition. Because the decrease in capital expenditures would materially affect 2025 revenue requirements, the Department asked Great Plains to recalculate 2025 revenue requirements in its reply comments.

e. Calculation of Proposed Recovery Factors

The Department concluded that the adjustment rate calculations are mathematically accurate and that the revenue allocation and dekatherm sales assumptions underlying the proposed GUIC adjustment rates seem reasonable. Similar to the 2025 GUIC revenue requirements in section 3d immediately above, however, the Department has requested Great Plains to update its calculations of the proposed recovery factors using updated capital costs in its reply comments.[16]

f. Customer Notification

The Department noted that Great Plains' proposed bill insert language is consistent with previous customer bill notices and recommended that it be approved and that the Company update Exhibit G of the Petition to reflect revised Proposed Adjustment Rates following recalculation.

4. Department's Conclusion and Recommendations

The Department made the following preliminary recommendations:

- Find that Great Plains' project expenses meet the eligibility requirements for recovery through the GUIC Rider.

- Find that Great Plains' Petition complies with previous Commission Orders.

- Approve Great Plains' proposal to use the rate of return from its most recent 2019 Rate Case.

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[16] Department Comments at 13.

- Approve Great Plains' 2024 GUIC true-up.

The Department requested that Great Plains provide the following in reply comments:

- Recalculations of the 2025 revenue requirement using the updated capital costs provided in response to DOC IR 7.

- An updated calculation of the 2025 Proposed Recovery Factors using the updated capital costs provided in response to DOC IR 7.

- An update of Exhibit G of the Petition (Customer Notification) to reflect revised Proposed Adjustment Rates following recalculation.

The Department will provide final recommendations once the Company's response has been reviewed.

C. Great Plains Reply Comments

1. 2025 GUIC Revenue Requirements

Great Plains agreed with the Department's conclusions and recommendations.

Great Plains recalculated the 2025 revenue requirements including updated capital costs of $821,330 for Mains and $772,921 for Services. The recalculated revenue requirement is $1,610,523. Table 4 shows recalculated proposed rates, by class, to be effective October 1, 2025.

Table 4: GUIC Costs and Recoveries -- Recalculated[17]

Under/(Over) Recovery - December 2023	$ 625,534
Revenue Requirement – 2024	1,336,111
Actual Recoveries: October - December, 2024	(829,389)
Total Under Recovery as of December 31, 2024	$1,132,256
Projected 2025 Revenue Requirement	1,610,523
Estimated Recoveries: January - September, 2025	(1,013,699)
Total Required Recovery - October, 2025 - September, 2026	$1,729,080

2. 2025 Proposed Recovery Factors – Recalculated

Great Plains also recalculated its 2025 Proposed Recovery Factors with updated costs as requested by the Department. Table 5 compares revised proposed rates per Dth, initially filed proposed rates, and the current rate.

[17] Great Plains Reply Comments, Schedule D, p. 1.

Table 5: Rates per Dth, by Class to be Effective October 1, 2025 – Recalculated[18]

Sales	Revised Proposed Rate	Initially Filed Current Rate	Current Rate
Residential	$0.5466	$0.5772	$0.4642
Firm General	$0.3915	$0.4144	$0.3366
Grain Drying	$0.3438	$0.3690	$0.1607
Small Interruptible	$0.2917	$0.3091	$0.2723
Large Interruptible	$0.1590	$0.1687	$0.1484
Transportation			
Small Interruptible	$0.3807	$0.4053	$0.3621
Large Interruptible (including Margin Sharing Customers[19]	$0.0701	$0.0746	$0.0660

D. Department Response to Reply Comments

The Department recommended that the Commission approve Great Plain's Petition as originally filed in the Department's initial Comments and updated in the Company's Reply Comments.

- Find Great Plains' project expenses meet the eligibility requirements for recovery through the GUIC Rider.
- Find Great Plains' Petition complies with previous Commission orders.
- Approve Great Plains' proposal to use the rate of return from its most recent 2019 Rate Case.
- Approve Great Plains' 2024 GUIC true-up.
- Approve Great Plains' proposed 2025 GUIC capital costs of $1,594,251.
- Approve Great Plains' proposed 2025 GUIC revenue requirement of $1,610,523 and resulting total required recovery of $1,729,080.
- Approve Great Plains' 2025 GUIC Proposed Recovery Factors as revised in Table 4, effective October 1, 2025.
- Within 10 days of the Commission's order in the current docket, require Great Plains to 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

[18] Great Plains Reply Comments at 1-2.

[19] Includes the Margin Sharing Customer

version of the GUIC customer notice which Great Plains plans to include as a bill insert following Commission approval of new GUIC adjustment rates following Commission approval of new GUIC adjustment rates.

E. Great Plain Response

III. Staff Comments

Staff notes that Great Plains' GUIC project maintains existing plant, improving service and delivery to current and future customers. These federally-legislated pipeline upgrades enhance the reliability and safety of Great Plain's natural gas distribution, benefiting customers for many years to come. Staff concurs with the Department's recommendations.

IV. Decision Options

Compliance with Minnesota Statutes, § 216B.1635

1. Find that Great Plains' Petition complies with Minnesota Statutes, § 216B.1635. (Great Plains, DOC)

Or

2. Find that Great Plains' Petition does not comply with Minnesota Statutes, § 216B.1635.

GUIC True-up

3. Approve Great Plains' 2024 true-up. (Great Plains, DOC)

Or

4. Do not approve Great Plains' 2024 true-up.

GUIC Capital Costs

5. Approve Great Plains' proposed GUIC 2025 GUIC capital costs of $1,594,251. (Great Plains, DOC)

Or

6. Do not approve Great Plains' proposed GUIC 2025 GUIC capital costs.

Revenue Requirement

7. Approve Great Plains' proposed 2025 revenue requirement of $1,610,523 and resulting total required revenue of $1,729,080. (Great Plains, DOC)

Or

8. Approve a different revenue requirement and determine what that amount should be.

Recovery Factors

9. Approve Great Plains' 2025 GUIC Proposed Recovery Factors as revised in Table 4, effective October 1, 2025. (Great Plains, DOC)

Or

10. Approve different 2025 GUIC Proposed Recovery Factors and determine what they should be.

<u>Compliance</u>

11. Within 10 days of the Commission's order in the current docket, require Great Plains to 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 which Great Plains plans to include as a bill insert following Commission approval of new GUIC adjustment rates.