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December 31, 2012

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

RE: Comments of Minnesota Department of Commerce, Division of Energy Resources
Docket No. G004/D-12-565

Dear Dr. Haar:

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

Great Plains Natural Gas' Five-Year Depreciation Study.

The petition was filed on June 1, 2012 by:

Rita A. Mulkern
Regulatory Affairs Manager
Great Plains Natural Gas Company
705 West First Avenue
P.O. Box 176
Fergus Falls, MN 56538-0176

The Department requests that Great Plains Natural Gas Co. provide additional information in reply comments and will make a recommendation to the Minnesota Public Utilities Commission (Commission) after it reviews this information. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/jl
Attachment

Summary of
 Great Plains Natural Gas'
 Current and Proposed Depreciation Parameters

Account No.	Account Name	Iowa Curve		Average Service Life		Average Remaining Life		Gross Salvage		Cost of Removal					
		Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed				
Depreciable Accounts															
305.00	Structures & Improvements	S1.5	R3	85	90	5	11.74	1.50	(10.24)	0.00%	10.00%	0.00%	0.00%	-	-
311.00	LPG Equipment	L0.5	L0.5	75	70	(5)	9.41	1.49	(7.92)	0.00%	10.00%	-10.00%	0.00%	0.00%	10.00%
320.00	Other Gas Production	S2	L5	25	39	14	2.49	1.32	(1.17)	0.00%	10.00%	0.00%	0.00%	-	-
365.20	Rights of Way	R2.5	R2.5	50	50	-	22.54	21.90	(0.64)	0.00%	0.00%	0.00%	0.00%	-	-
367.00	Transmission Mains	R2	R2	50	50	-	16.91	12.70	(4.21)	0.00%	0.00%	-20.00%	0.00%	-	-
367.40-42	Railroad, River & Highway Crossings	R2	R2	40	40	-	22.09	21.45	(0.64)	0.00%	0.00%	-20.00%	0.00%	-	-
367.45	Anodes and Cathodic Protection	R3	R3	25	25	-	9.21	8.58	(0.63)	0.00%	0.00%	-20.00%	0.00%	-	-
367.50	Valves	R3	R3	40	40	-	6.20	5.84	(0.36)	0.00%	0.00%	-20.00%	0.00%	-	-
367.60-61	Farm & Side Taps	R4	R4	30	30	-	8.10	7.51	(0.59)	0.00%	0.00%	-20.00%	0.00%	-	-
369.00	Meas & Reg Station Equipment	R2	R1	35	35	-	19.63	28.83	9.20	0.00%	0.00%	0.00%	0.00%	-	-
374.20	Rights of Way	R2.5	R2.5	50	50	-	29.24	28.47	(0.77)	0.00%	0.00%	0.00%	0.00%	-	-
375.00	Distr. Meas. & Reg Station Structures	S1.5	S1.5	85	85	-	14.29	24.24	9.95	0.00%	0.00%	-5.00%	-5.00%	-	-
376.00	Steel Mains	R4	R3	55	54	(1)	27.98	31.02	3.04	0.00%	0.00%	-55.00%	-55.00%	-	-
376.10	Plastic Mains	S6	R4	30	45	15	19.38	34.30	14.92	0.00%	0.00%	-55.00%	-55.00%	-	-
376.11	Plastic Mains - PVC	L5	n/a	45	n/a	n/a	7.44	7.50	0.06	0.00%	0.00%	-20.00%	-55.00%	-	-
376.20	Valves	R2.5	R3	47	47	-	33.41	31.88	(1.53)	0.00%	0.00%	-55.00%	-55.00%	-	-
376.28-50	Railroad, River & Highway Crossings	R1	R1	40	40	-	21.76	21.10	(0.66)	0.00%	0.00%	-55.00%	-55.00%	-	-
376.55	Anodes and Cathodic Protection	R3	R3	25	25	-	7.96	7.39	(0.57)	0.00%	0.00%	-75.00%	-75.00%	-	-
376.56	Pipeline Markers	R3	R3	20	20	-	2.11	1.85	(0.26)	0.00%	0.00%	-15.00%	-15.00%	-	-
378.00	Meas & Reg Station Equip-General	R3	R4	35	40	5	12.48	10.95	(1.52)	0.00%	0.00%	-2.00%	-2.00%	-	-
379.00	Meas & Reg Station Equip-City Gate	R4	R4	30	30	-	13.14	16.29	3.15	0.00%	0.00%	-75.00%	-75.00%	-	-
380.00	Steel Services	R2	R2	43	38	(5)	20.09	16.30	(3.79)	0.00%	0.00%	-75.00%	-75.00%	-	-
380.10	Plastic Services	S4	R5	29	37	8	15.85	23.34	7.49	0.00%	0.00%	-75.00%	-75.00%	-	-
380.11	Plastic Services - PVC	R4	n/a	30	n/a	n/a	1.55	7.50	5.95	0.00%	0.00%	-75.00%	-75.00%	-	-
380.55	Anodes and Cathodic Protection	R3	R3	25	25	-	3.05	2.74	(0.31)	0.00%	0.00%	-15.00%	-15.00%	-	-
381.00	Meters	R2.5	n/a	40	n/a	n/a	23.15	9.30	(13.86)	0.00%	0.00%	0.00%	0.00%	-	-
383.00	House Regulators	S4	n/a	40	n/a	n/a	19.86	9.30	(10.57)	0.00%	0.00%	0.00%	0.00%	-	-
385.00	Industrial Meas. & Reg. Station Equipment	S4	S4	40	40	-	15.11	14.22	(0.89)	0.00%	0.00%	0.00%	0.00%	-	-
387.10	Cathodic Protection Equipment	R3	R3	25	25	-	15.15	14.29	(0.86)	0.00%	0.00%	0.00%	0.00%	-	-
387.20	Other Equipment	R3	R3	30	30	-	8.47	7.87	(0.60)	0.00%	0.00%	0.00%	0.00%	-	-
390.00-01	General Structures & Improvements	S0.5	R3	70	45	(25)	16.98	36.60	19.62	0.00%	0.00%	0.00%	0.00%	-	-
390.02	Leasehold Improvements	R4	R4	10	10	-	0.97	0.73	(0.24)	0.00%	0.00%	0.00%	0.00%	-	-
392.10	Trailers	R2	R1	13	12	(1)	5.01	6.21	1.20	0.00%	0.00%	0.00%	0.00%	-	-
392.20	Transportation Equipment	R3	L2	8	7	(1)	4.21	3.91	(0.30)	20.00%	20.00%	0.00%	0.00%	-	-
396.00	Power Operated Equipment	L1	L0	8	8	-	5.38	6.13	0.75	25.00%	25.00%	0.00%	0.00%	-	-
Amortizable Accounts															
391.10	Office Furniture & Equipment			16	16	-				0.00%	0.00%	0.00%	0.00%	-	-
391.30	Computer & Electronic Equipment			4	4	-				0.00%	0.00%	0.00%	0.00%	-	-
391.50	Other Computer Equipment			5	5	-				0.00%	0.00%	0.00%	0.00%	-	-
394.00	Tools, Shop & Garage Equipment			20	20	-				0.00%	0.00%	0.00%	0.00%	-	-
397.00	Communication Equipment			18	18	-				0.00%	0.00%	0.00%	0.00%	-	-
398.00	Miscellaneous Equipment			25	25	-				0.00%	0.00%	0.00%	0.00%	-	-

Source: Great Plains 2011 and 2012 Depreciation Studies

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: G004/D-12-565

Date of Request: October 23, 2012

Requested From: Rita A. Mulkern

Response Due: November 2, 2012

Analyst Requesting Information: Craig Addonizio

Type of Inquiry: ...Financial ...Rate of Return ...Rate Design
 ...Engineering ...Forecasting ...Conservation
 ...Cost of Service ...CIP ...Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
8	<p>Reference: Accounts 305 and 311 Gross Salvage and Cost of Removal</p> <p>On pages 1-3 and 1-4 of Great Plains' depreciation petition, the Company's depreciation consultants (AUS Consultants) discuss changes to the depreciation rates for Accounts 305 and 311 and refer to peak shaving property which is no longer required and is anticipated to be disconnected and removed by 2013.</p> <p>a. Is the referenced peak shaving property the retired Marshall propane peaking facility, as discussed in Docket No. G004/M-11-1075? If not, please identify the referenced peak shaving facility.</p> <p>b. Please identify the plant in service and reserve balances as of 12/31/2011 associated with the referenced peak shaving facility.</p> <p>c. Please explain Great Plains' reasons for expecting positive salvage from these facilities and explain how Great Plains' determined the gross salvage and cost of removal percentages (10% and 0%, respectively, for both Accounts).</p> <p>Response:</p> <p>a. The referenced plant is the Marshall propane peaking facility, however there was also investment in the Montevideo propane peaking facility remaining as of December 31, 2011</p>

Response by: Rita A. Mulkern

List sources of information: _____

Title: Director of Regulatory Affairs

Department: Regulatory Affairs

Telephone: (701)222-7854

and some small amounts related to other retired propane plants. Great Plains received approval in Docket No. G004/M-10-1164 to retire the Montevideo facility and authority in Docket No. G004/PA-11-1108 to sell the facility, but the retirement of the Montevideo facility was not complete by December 31, 2011.

- b. Please see Attachment A.
- c. The Company has no specific experience relative to gross salvage or cost of removal for Account 305-Structures and Improvements. Relative to Account 311-Liquified Propane Equipment the Company historically has achieved a modest 2.3 % gross salvage and approximately 1% cost of removal related to interim retirements of this property class. Given that the property is now at the end of its useful service life it is anticipated that there will be even less opportunity to achieve potential gross salvage, hence the 0 percent gross salvage. Conversely, the removal of the properties will result in the Company expending a modest amount of funds to physical demolish the facilities and restore the sites. It may be that the Company will expend greater amounts to complete such tasks. At the present time there specific bids or project cost estimates.

Response by: Rita A. Mulkern List sources of information: _____
Title: Director of Regulatory Affairs _____
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**GREAT PLAINS NATURAL GAS CO.
 PROPANE PLANT
 DECEMBER 31, 2012**

	<u>Total</u>	<u>Marshall</u>	<u>Montevideo</u>	<u>Redwood Falls</u>	<u>Other 1/</u>
Plant in service					
305	\$282,998	\$204,699	\$78,298	\$0	\$0
311	415,125	268,230	146,896	0	0
320	4,970	3,413	1,557	0	0
Total	<u>\$703,093</u>	<u>\$476,342</u>	<u>\$226,751</u>	<u>\$0</u>	<u>\$0</u>
Accumulatd reserve]					
305	(\$227,227)	(\$177,421)	(\$58,716)	\$9,650	(\$740)
311	(408,148)	(269,279)	(147,969)	(4,319)	13,419
320	(4,960)	(3,415)	(1,558)	0	13
Total	<u>(\$640,335)</u>	<u>(\$450,115)</u>	<u>(\$208,243)</u>	<u>\$5,331</u>	<u>\$12,692</u>
Net Plant					
305	\$55,771	\$27,278	\$19,582	\$9,650	(\$740)
311	6,977	(1,049)	(1,073)	(4,319)	13,419
320	10	(2)	(1)	0	13
Total	<u>\$62,758</u>	<u>\$26,227</u>	<u>\$18,508</u>	<u>\$5,331</u>	<u>\$12,692</u>

1/ Reserve remaining on other retired propane plants.

State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

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Date of Request: October 23, 2012

Requested From: Rita A. Mulkern

Response Due: November 2, 2012

Analyst Requesting Information: Craig Addonizio

Type of Inquiry: ...Financial ...Rate of Return ...Rate Design
 ...Engineering ...Forecasting ...Conservation
 ...Cost of Service ...CIP ...Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
11	<p>Great Plains is proposing a remaining life of 7.5 years for Account 376.11 based on the Company's expectation that the Minnesota Office of Pipeline Safety may require a replacement program for PVC pipe.</p> <p>a. Please provide a detailed description of Great Plains' replacement program including a replacement schedule, estimated costs, etc., and explain whether the replacement program is already underway.</p> <p>b. Please explain why Great Plains' feels that it is appropriate to implement a replacement program and set an average remaining life based on safety regulations that are not yet in effect.</p> <p>Response:</p> <p>a-b As of December 31, 2011 the Company had approximately 147.6 miles of PVC Mains in service. During 2012 the Company will have replaced approximately 10.4 miles of PVC Mains. Based upon the ongoing replacement level (147.6/10.4), the current PVC Mains property would be replaced within 14 plus years, well within the estimated 15 years referenced in the depreciation study report. The total replacement of the property over a 15 years period results in an average remaining replacement period of 7.5 years. While there is not a specific requirement to replace PVC due to pipeline safety standards it is uncertain what will occur in future periods. The issues for the Company are that the property class</p>

Response by: Rita A. Mulkern

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Title: Director of Regulatory Affairs

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includes no locating wire, thus it is an operations issue as it takes more time to locate the pipe, and it is very difficult getting replacement parts such as stopping equipment and taps.

Response by: Rita A. Mulkern

List sources of information:

Title: Director of Regulatory Affairs

Department: Regulatory Affairs

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due to pipeline safety standards it is uncertain what will occur in future period. The issue for the Company is the fact that the property class includes no locating wire, thus it is an operations issue as it takes more time to locate the pipe and and it is very difficult getting replacement parts such as stopping equipment and taps.

Response by: Rita A. Mulkern

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State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

Utility Information Request

Docket Number: G004/D-12-565

Date of Request: October 23, 2012

Requested From: Rita A. Mulkern

Response Due: November 2, 2012

Analyst Requesting Information: Craig Addonizio

Type of Inquiry: Financial Rate of Return Rate Design
 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
18	<p>Reference: Account 390.00 Structures and Improvements</p> <p>From 2007 through 2011, retirements from Account 390 have averaged 55% gross salvage. Please explain the basis for the proposed 0% gross salvage rate.</p> <p>Response:</p> <p>The Company had a variety of business/office/service structures located throughout its service territory that were no longer needed and Great Plains was successful in selling these buildings. The Company has now consolidated and/or eliminated all such facilities. The Company has only a limited number of facilities remaining that it will need to continue to utilize for service. Accordingly, at the end of the currently properties' useful life there will be little, if any, meaningful value associated with the disposal of these structures. Furthermore, there is a significant probability that the Company will continue to use the site through upgrades and/or redevelopment of the locations.</p>

Response by: Rita A. Mulkern

List sources of information: _____

Title: Director of Regulatory Affairs

Department: Regulatory Affairs

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State of Minnesota
DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

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 Engineering Forecasting Conservation
 Cost of Service CIP Other:

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
3	<p>Reference: Table 5-391.3</p> <p>Table 5-391.3 shows that vintage 2008 property has a Remaining Amount to be Amortized of \$7,098.36 and a Remaining Amortization Period of 0.44 years. An Annual Amortization Amount of \$16,062.84 is then calculated by dividing the Remaining Amount to be Amortized by the Remaining Amortization Period:</p> $\$7,098.36 / 0.44 \text{ years} = \$16,062.84$ <p>Please confirm that the Annual Amortization Amount should be capped at the Remaining Amount to be Amortized and therefore should be \$7,089.36, not \$16,062.84.</p> <p>Response:</p> <p>The amortization will only be recorded for the applicable remaining amortization portion of the year.</p>

Response by: Rita A. Mulkern

List sources of information:

Title: Director of Regulatory Affairs

Department: Regulatory Affairs

Telephone: (701)222-7854

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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/D-12-565**

Dated this **31th** day of **December, 2012**

/s/Linda Chavez

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_12-565_D-12-565
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_12-565_D-12-565
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_12-565_D-12-565
John	Lindell	agorud.ecf@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_12-565_D-12-565
Rita	Mulkern	rita.mulkern@mdu.com	Great Plains Natural Gas	400 N. 4th Street Bismarck, ND 58501	Paper Service	No	OFF_SL_12-565_D-12-565