MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	**January 8, 2026**	**Agenda Item 2***
Company	Greater Minnesota Gas, Inc.	
Docket No.	**G022/D-25-306**	
	In the Matter of Greater Minnesota Gas, Inc.'s Petition for Approval of Depreciation Certificate.	
Issues	Should the Commission approve or modify Greater Minnesota Gas, Inc.'s 2025 depreciation certification?	

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✓**Relevant Documents**	**Date**
Greater Minnesota Gas-Petition	August 1, 2025
Department of Commerce-Comments	October 8, 2025

I. Background

On August 1, 2025, Greater Minnesota Gas, Inc. (GMG) filed for Approval of a Depreciation Certificate pursuant to Minn. Stat. 216B.11 and Minn. Rules, Parts 7825.0500 to 7825.0900. This submission is also required by the Minnesota Public Utilities Commission's (the Commission's) December 28, 2020, Order in Docket No. G-022/D-20-612 which required GMG's next depreciation study to be filed by August 1, 2025. GMG states that the current proposals are consistent with its previously approved study in that docket. The Company seeks approval to modify the depreciation parameters for Account 392 – Transportation Equipment, and to establish a new depreciable property group and depreciation parameters within Account 382 – Meter Sets, specifically Account 382.2 for Automatic Meter Reading (AMR) Devices on a going-forward basis.

GMG requested an effective date of January 1, 2026, for the new depreciation rates.

On October 8, 2025, the Minnesota Department of Commerce (Department) submitted comments.

II. Discussion

A. Greater Minnesota Gas – Initial Filing

This Petition is GMG's fifth depreciation study in its thirty-year history. GMG filed its initial certification concurrently with its first rate case in 2004, with subsequent studies submitted in 2010, 2015, and 2020. With GMG's system being relatively new, prior depreciation studies relied primarily on industry-standard depreciation data derived from more mature natural gas distribution utilities. GMG continues to use that approach as it remains appropriate for most plant accounts. However, based on GMG's accumulated operating experience, this study relies on GMG-specific data with respect to vehicles. Given the limited retirement history of its system, GMG did not retain external depreciation consultant for this study. In prior proceedings, independent consultants advised GMG that the available historical data was insufficient to support a comprehensive third-party depreciation analysis.

As of the end of 2024, GMG operated approximately 969 miles of main and serves approximately 11,200 customers–bringing natural gas to communities that, in most cases, previously had no access.

Greater Minnesota Gas stated that its depreciation methodology uses a straight-line method with an average service life (ASL) – Broad Group procedure and remaining life technique.

Table 1, below, summarizes GMG's depreciation proposals and its currently approved depreciation parameters.

Table 1: Greater Minnesota Gas's Proposed and Currently Approved Depreciation Parameters[1]

FERC Account	Proposed ASL (years)	Approved ASL (years)	Proposed Salvage Rate	Approved Salvage Rate
376 - Mains	50	50	-27%	-27%
378 – Measuring & Regulating Station Equipment	42	42	-21%	-21%
380 - Services	50	50	-40%	-40%
381 - Meters	30	30	0%	0%
382 – Meter Installations	50	50	-35%	-35%
382.2 – AMR Units	**20**	**N/A**	**0%**	**N/A**
383 – House Regulators	42	42	-35%	-35%
387 – Other Equipment	8	8	0%	0%
391 – Office Furniture & Equipment	6	6	0%	0%
392 – Transportation Equipment	**5**	**4**	**20%**	**20%**
390.1 – Structures	40	40	0%	0%
390.2 - Improvements	15	15	0%	0%
397 – Communication Equipment	10	10	0%	0%

B. Department of Commerce - Comments

1. Compliance with Depreciation Statutes, Rules and Filing requirements

To determine the depreciable (useful) lives of their capital assets, utilities may choose to apply an average service life (ASL) or a remaining life technique. The Department observed that:

> When utilities opt to use the ASL technique to depreciate property, the life and salvage factors as well as the depreciation rates remain unchanged between studies. If companies use the remaining life technique, the underlying life and salvage factors may not change, but the depreciation rates must be updated annually to reflect the passage of time and the impact of plant activity on remaining lives. Since the Company uses the ASL technique, it does not need to file annual depreciation updates with the Commission.[2]

The Department concluded that based on its review, GMG complied with the applicable

[1] Initial Filing at 7-12

[2] Department Comments at 2

statutes, rules and filing requirements.

2. Compliance with prior Commission Orders

In its December 28, 2020 Order, the Commission required GMG to:

- Depreciate its office building in Account 390 on an individual basis until its next depreciation study.
- Address in its next filing whether its expectations regarding the service life and salvage value for Account 390 assets have changed.
- File next depreciation study by August 1, 2025.

The Department concluded that GMG has complied with prior Commission orders.

3. GMG's Depreciation Methodology

The Department stated that GMG depreciates its capital assets using cost allocation method that allows an entity to distribute the capital costs of an asset over time and approximately match revenues generated by an asset with the cost of the asset over its useful life. It follows that an asset's depreciable life and corresponding depreciation rate should align with the time period during which the asset is used and useful.

GMG uses Sage Fixed Assets software to calculate depreciation using straight-line method and average service life, applied at the system number level. Life and salvage are fixed from in-service date. Salvage is calculated separately, applying the net salvage rate to plant balances to compute annual expense.[3]

4. GMG's Depreciation Proposals

GMG proposes to continue using the same average service lives and salvages rates approved by the Commission in the Company's last depreciation study (Docket No. G-022/D-20-612) with two exceptions:

- Including a new sub-account under FERC Account 382 specifically Account 382.2 for Automatic Meter Reading (AMR) Devices.
- Changing the depreciation life of Account 392 – Transportation Equipment from 4 years to 5 years.

Table 1, below, summarizes GMG's depreciation proposals and its currently approved

[3] GMG Response to DOC IR 5

depreciation parameters.

The Department indicated that GMG considered industry information specific to other Minnesota regulated utilities including the most recent five-year depreciation studies for Xcel Energy, Minnesota Energy Resources, CenterPoint Energy and Great Plains Natural Gas. Given GMG's limited historical experience with its capital asset retirements, the Department concludes that, at this point, it continues to be reasonable for the Company to rely on industry data to develop its depreciation parameters.

a. AMR Devices Units

GMG proposed to establish a new sub-account group within Account 382 to separately track and depreciate Automatic Meter Reading (AMR) Devices. Under the proposal, AMR Devices would be depreciated over 20-year average service life with no salvage value. Historically, GMG depreciated meters and devices as a single group with a 50-year service life. AMR Devices have a 20-year ASL based on warranty and battery life. The Department concluded the proposed 20-year ASL and 0% salvage for Account 382.2 is reasonable.

b. Transportation Equipment

GMG proposed to increase the average service life for transportation equipment from 4 years to 5 years while retaining the current approved salvage value of 20%. GMG's vehicle retirement data indicates that fleet vehicles are typically retained for 5 to 6 years and that salvage proceeds remain consistent with approved salvage rate. The Department found GMG's explanation reasonable and does not oppose changes to Account 392.

c. Structures and Improvements

GMG stated that it has not changed its expectations regarding the 40-year depreciation with no salvage value for the building. GMG explained that it supports using 0% salvage value for its office building because commercial building values are unpredictable in the current economy. The Department found GMG's explanation reasonable.

5. GMG's Plant Activity and Depreciation Expense Calculations

Table 2, below, summarizes GMG's plant activity for 2020 to 2024, the gross plant balance increased from $50.9 million to $59.8 million, which is a 17.5% increase.

Table 2: Plant Balance Activity 2020-2024

Account	Balance 1/1/2020	Additions	Retirements	Adjustments	Balance 12/31/2024
Distribution	$49,342,556	$8,974,089	(293,341.00)	(174,156.00)	$57,849,148
General	$1,567,014	$908,095	(522,530.00)	$ -	$1,952,579
Total	**$50,909,570**	**$9,882,184**	**(815,871.00)**	**(174,156.00)**	**$59,801,727**

Table 3: GMG's Plant-in-Service and Depreciation Reserve 2019-2024[4]

Year	Year-end Plant-in-Service Balance (A)	Year-end Reserve Balance (B)	Reserve Ratio (B / A)
2019	$50,909,570	$9,508,125	18.7%
2020	$52,716,450	$10,541,547	20.0%
2021	$55,390,462	$12,061,332	21.8%
2022	$56,887,224	$13,460,509	23.7%
2023	$58,939,585	$14,881,377	25.3%
2024	$59,801,727	$16,551,347	27.7%

GMG's depreciation reserve ratio has increased by increments of 1 to 2 percent, for a current total of 27.7% as shown in Table 3. GMG's reserve ratio is consistent with the Company's slowing growth in its system and reflects the relatively young age of its system.

The Department reviewed GMG's depreciation expense calculations and determined that the Company's booked depreciation is consistent with approved average service lives and salvage rates for each account.

6. Effective Date and Subsequent Filing Date

GMG initially requested an effective date of January 1, 2026, for its depreciation proposals in the current instant Petition. However, through an IR response, the Company clarified that it intended to request an effective date of January 1, 2025.[5] The Department agrees with the Company's proposal and recommends that the Commission approve an effective date of January 1, 2025, for GMG's depreciation parameters. In line with the five-year depreciation study cycle, the Department also recommends that the Commission require GMG to file its next five-year depreciation study by August 1, 2030.

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[4] Petition at 7

[5] GMG's response to DOC IR 4

7. Department Recommendations

Department concludes that GMG's Petition complies with the applicable statutes, rules, and Commission orders, and that the Company's depreciation proposals in the current docket are reasonable. The Department recommends that the Commission take the following actions:

- Approve GMG's depreciation proposals, as shown in Table 1 of these Comments, with an effective date of January 1, 2025.
- Require GMG to file its next five-year depreciation study by August 1, 2030.
- Determine the depreciation rates approved herein are for accounting purposes and neither bind nor preclude modified depreciation in a general rate case proceeding.

C. Staff Comments

This docket contains no disputed items between the Department and GMG. Staff reviewed GMG's proposal and concurs with the Department recommendation that the Commission approve GMG's Petition.

III. Decision Options

1. Approve GMG's depreciation proposal, as shown in **Table 1**, with an effective date of January 1, 2025. (GMG, Department)

2. Require GMG to file its next 5-year depreciation study by August 1, 2030. (GMG, Department)